Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din.0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr.42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils.500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils.500	Sri Lanka	Rup 30
Denmark	DKr.7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr.42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr. 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr. 6.00	U.S.A.	$1.80
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,724 — Wednesday September 11 1985 — D 8523 B

Enlarged EEC: power shifts from the golden circle, Page 15

World news

Further rioting erupts in UK city

Fresh rioting erupted in Birmingham, Britain's second city, after a night of violence on Monday that left two people dead and a further two feared dead.

Youths, mainly black, overturned police vans and set them alight, using them as barricades. Massive police reinforcements were able to control the violence but an uneasy calm prevailed.

Home Secretary Douglas Hurd came under attack from stone-throwing black youths during a fact-finding visit to the scene of the riots. Page 16

Nigeria Cabinet

Nigeria's military Government announced the appointment of 22 ministers, including six from the Cabinet of former leader Major-General *Mohammed Buhari*, toppled in a coup last month. Page 4

Mitterrand visit

President François Mitterrand is to fly to the South Pacific on Friday to visit *France's nuclear testing site* on the atoll of Mururoa.

Execution threat

Thai authorities, retreating from traditional leniency towards rebels, said the architects of Monday's coup attempt might be executed. Two of the ringleaders have already fled Thailand. Page 4

Powers extended

Chilean President Augusto Pinochet, facing an unprecedented challenge from a broad spectrum of political parties, renewed emergency powers for a further six months on the eve of the 12th anniversary of the military coup that deposed Salvador Allende.

Tamils killed

Eight Tamil separatist guerrillas have been killed and the home of a former Tamil member of parliament set ablaze in Sri Lanka's Eastern Province.

Peru sacks officers

Peru's new Social Democratic Government, pledged to fight drug trafficking, dismissed eight more generals and 118 colonels.

French emergency

A state of emergency has been declared in southern France's Gard *department* after a forest fire in which houses were destroyed and seven firemen injured.

Prisoners freed

The Israeli Army freed 119 detainees, mostly Shia Moslem guerrillas, the last batch of more than 10,000 prisoners it captured in its three-year military campaign in Lebanon.

New Monaco head

Monaco's Prince Rainier appointed former French diplomat Jean Ausseil as head of government of the tiny Mediterranean principality.

Pope column rebuff

Rupert Murdoch's newspaper syndicate says it will continue a weekly column quoting Pope John Paul's views on world issues, despite Vatican disapproval of using the Pope's byline in a commercial operation. Earlier report, Page 3

Rail chief quits

French railways (SNCF) chairman André Chadeau resigned after a series of crashes that have killed 58 people. Page 16

German ruling

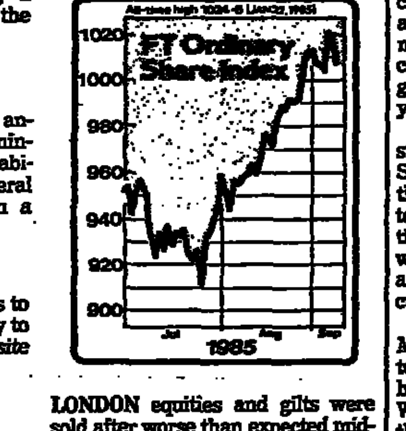
The West German federal labour court in Kassel ruled that the state could order civil servants to take over the work of strikers during public sector disputes.

Business summary

Rhône Poulenc seeks FFr 1bn

RHÔNE-POULENC, the French nationalised chemicals and pharmaceuticals group, plans to raise FFr 1bn ($112m) in fresh funds on the Paris Bourse by issuing non-voting securities. The group also reported *a 30 per cent increase in first-half* profits to FFr 1.03bn. Page 17

WALL STREET: The Dow Jones industrial average closed down 5.82 at 1,333.45. Page 36



LONDON equities and gilts were sold after worse than expected mid-August money supply figures. The FT Ordinary share index shed 13.7 to 1,006.8. Page 36

TOKYO saw a strong rally develop in blue chips, property and investment-related stocks. The Nikkei-Dow market average added 63.82 to 12,519.54. Page 36

STERLING made a small recovery in London, gaining 80 points against the dollar to $1.313. It also rose to DM 3.86 (DM 3.84), SwFr 3.185 (SwFr 3.1625), FFr 11.765 (FFr 11.7) and Y318.5 (Y317.75). The pound's exchange rate index rose to 80.0 from 79.9. Page 29

DOLLAR was generally weaker in London, falling to DM 2.94 (DM 2.942), FFr 8.965 (FFr 8.9725) and Y242.65 (Y243.5) but was firmer at SwFr 2.425 (SwFr 2.4225). On Bank of England figures, the dollar's exchange rate index fell to 141.8 from 142.0. Page 29

GOLD rose $1.50 on the London bullion market to $322.00 and was also higher in Zürich at $321.90. Page 28

WEST GERMAN gross national product rose provisionally by 2 per cent in the second quarter compared with the first three months. Page 3

SPAIN'S main employer group threatened to withdraw from a wage pact with unions and the Government, claiming talks had broken down. Page 3

CITIBANK, the U.S. institution which *is one of the leading foreign* banks in Italy, has withdrawn an offer to buy the oustanding portion *of shares* in Banco Centro Sud, of which it recently acquired 73.6 per cent. Page 17

GENERAL MOTORS, world's largest automotive group, was hazy on a predicted date for return to profit in *its European* operations *during* preliminaries to the International Automobile Exhibition in Frank*furt. Motor show reports, Page 17*

NESTLÉ, Swiss food and consumer products group, is placing 200,000 bearer participation certificates in the international capital markets. Page 17

SKANDIA of Sweden, one of Europe's largest insurance companies, has warned that losses in its domestic operation this year might reach SKr 400m ($46.6m). Page 17

THYSSEN of West Germany and a Turkish construction company won a $30.7m contract to build a new *bridge over the Golden* Horn in Istanbul. Page 6

SEL, the West German telecommunications company, is hoping to set up a joint venture in China to make cable and transmission equipment. Page 17

UK blocks EEC agreement on Pretoria sanctions

BY QUENTIN PEEL IN LUXEMBOURG

BRITAIN last night blocked agreement by the member states of the European Community on a package of limited economic and diplomatic measures against South Africa, insisting on more time to consider all their implications.

The last minute obstacle to a *common position aimed at stepping* up the pressure on the South African Government to dismantle its apartheid system, and to end the current state of emergency, came after almost 10 hours of talks by the ministers, who were joined by their counterparts from Spain and Portugal, which are to join the EEC next year.

Although they all agreed on a strong statement condemning the South African system, only nine of the 10 full members were prepared to go along with the proposed sanctions, which included a community-wide embargo on oil exports and an end to official support for all cultural and scientific exchanges.

The breakdown came after Mr *Malcolm Rifkind, the British Minis*ter of State at the Foreign Office, had attempted to consult both Whitehall, and Sir Geoffrey Howe, the Foreign Secretary, who is currently in Nigeria. He then placed a general reservation on all the restrictive measures being proposed.

Earlier in the day the ministers received a letter from Mr George Shultz, the U.S. Secretary of State, suggesting that the U.S. and the EEC should adopt a common approach.

Apart from the oil and cultural embargo these include a ban on all *military co-operation and on the* supply of military and paramilitary equipment, the withdrawal of military attachés from South Africa and of their South African counterparts from the EEC and a ban on new nuclear collaboration.

Many of the measures are already imposed by several member states including the UK.

The failure of the 12 to agree a package in what was probably the most serious test to date of their growing political co-operation – a matter on which Britain is an enthusiastic supporter – was greeted with dismay by other ministers.

In spite of the outcome individual member states can now go ahead with implementing those parts of *the package* which they are *not al*ready operating. However, there is concern that opinion in Africa will see the the EEC's failure to reach agreement as a much weaker response than the U.S. decision on Monday to go ahead with certain measures.

No new date has been fixed for further discussions on the issue, although another meeting is certain.

The British attitude was defended last night by Mr Rifkind, who insisted that he was simply asking for more time to consider the measures.

"We have only today addressed ourselves to certain of these detailed measures and we think it only reasonable that further consideration should be given" he said.

He argued that Britain was much more closely affected on South African questions than its partners. "The UK for historical reasons has a much greater economic and general *involvement in South Africa* than other members of the Community," he said. "They can much more quickly and easily agree."

Among the positive measures agreed by all the member states was agreement on the urgent need for the South African Government to open a genuine dialogue with representatives of the black population. The current EEC Chairmen, M Jacques Poos, the Foreign Minister of Luxembourg, yesterday met members of the banned African Na-

Continued on Page 16

Surrender rejected, Page 4; de Kock's lonely odyssey, Page 14

British rate hopes hit by rise in money supply

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

HOPES that UK interest rates might soon be cut were badly dented yesterday by figures which showed a surge in money supply last month.

The latest figures and the recent volatility of sterling have clearly reinforced the authorities' caution *about the scope for a cut in interest* rates.

Although sterling was slightly firmer yesterday its index of 80 (1975 = 100) against a trade-weighted basket of currencies was about 2½ per cent below its average in August.

The money supply figures also highlighted the Bank of England's anxieties about the rapid expansion of borrowing by the private sector.

The broad measure of money supply, Sterling M3, which is the most closely watched indicator and includes bank deposits as well as cash, is estimated to have risen by 2 per cent in the month, which brings its rise over the last six months to an annual rate of 16¾ per cent.

This is far above the Government's target range for the year, which *envisaged expansion of* between 5 and 9 per cent.

The rise partly reflects an accelerating demand for credit, particularly in the personal sector, despite the persistence of very high interest rates since February.

In August, commercial bank lending to the private sector rose by £1.8bn ($2.36bn) while the public sector borrowing requirement contributed another £1.8bn to the expansion of credit.

But sales of government securities were relatively weak, and because some large stocks fell due for redemption, net purchase of government debt by the private sector were only £400m.

The increase in bank lending in August was in line with the trend for the latest six months when the *average monthly rise was £1.7bn.* However, the authorities believed that this had been inflated by temporary factors, such as an increase of borrowing by leasing companies before the budget in March. They hoped that high interest rates would slow the pace of new bank lending to something nearer the £1.5bn average for last year.

Continued on Page 16

Editorial comment, Page 14; Lex, Page 16; Money markets, Page 29

Consafe files for bankruptcy

BY DAVID BROWN IN STOCKHOLM

CONSAFE, the Swedish offshore services group which is the world's largest owner of offshore accommodation platforms, has filed for bankruptcy following the collapse after two months of restructuring negotiations with its biggest creditor, the state-owned Swedyard shipbuilding group.

Swedyard, which has built the *bulk of Consafe's fleet of semi-sub*mersible offshore platforms, has guaranteed about 80 per cent of the *group's* SKr 2.8bn ($325m) long-term debt.

The six Nordic banks which hold the remaining SKr 500m debt, led by Skandinavisk Enskilda Banken of Sweden and Den Norske Creditkassen (DNC) of Norway, have offered to provide new short-term credit worth some Skr 50m.

However, this fell short of the *three-year* Skr 75m package demanded by the *state* as a precondition to releasing its own SKr 600m debt relief plan.

"It was clear by the end that the banks had no faith in Consafe's future," said Mr Kent Johannson, a member of the Swedyard's management.

A substantial part of Consafe's *fleet* has been *laid-up for much of* the last 18 months. The group has exhausted its liquidity and says it has no choice but to seek bankruptcy for all but its small engineering and JCE subsidiaries, which make up a tiny fraction of its SKr 1bn annual turnover.

Consafe borrowed heavily to finance its expansion in anticipation of a continued offshore oil explora*tion and drilling boom* which failed to materialise.

It part-owns 18 large offshore units, including eight semi-submersible accommodation and service platforms, two multi-purpose diving vessels and two drilling rigs. Only 11 of these are currently in service and the group was expecting losses of as much as SKr 400m this year.

The court-appointed receiver is likely to try to keep the accommodation platform fleet in operation in the interests of the creditors, but it seems likely that the oil companies will attempt to use the bankruptcy to renegotiate for better terms.

The Consafe fleet has as book worth of some SKr 2.8bn, but "with 50 per cent of the world's fleet laid up, it is very tricky to try to put a value on the units," Mr Christer *Ericsson, the founder* and managing director of Consafe, said yesterday.

The bankruptcy is likely to force the already troubled Swedyard offshore subsidiary into losses this year, a spokesman said.

A decision by Consafe earlier this year to cancel an offshore contract with Swedyard is understood to *have created* bad feeling between the two companies, which spilled over into the negotiations.

Mr Thage Peterson, the Industry Minister, has placed the blame for the collapse squarely on the banks. The Social Democratic Government is taking a hard line against providing state support to help ailing industries stave off collapse, he said.

Critics point out, however, that the Socialist administration only last week rammed a proposal through the National Debt Office which sets the stage for the transfer of some SKr 5bn in ship mortgages held by Swedyard – many of which were due for write-offs as bad loans – to the lossmaking.

Continued on Page 16

Skandia forecasts setback, Page 17

Washington set to counter export aids

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration is devising a new package of trade measures, including a multi-million dollar "war chest" which could be used to counter subsidies which foreign governments give to finance exports.

The "war chest" could amount to as much as $300m and is intended to be the U.S. response to the use of soft credits to help exports by countries such as Japan and France.

Officials stress that the outlines of the new package are still under review and that no final decisions on its shape have been made. It could include legislation "to clarify *and strengthen*" President Ronald Reagan's authority to act under U.S. trade laws as well as other changes in trade legislation, a spokesman for the U.S. Trade Representative's Office said.

He added that any measures would be "a small part of the overall restatement of trade policy" which the Administration had been plan*ning* and which *officials had said* could come in the next few weeks.

Yesterday, House Republicans were meeting Mr Donald Regan, White House chief of staff, to discuss the Administration's trade plans and to present the White House with options they would like to see in any trade package.

On Monday, Dr Clayton Yeutter, the U.S. Trade Representative, met with key Republicans on Capitol Hill, including senate majority leader Robert Dole, Senator John Danforth, Senator Strom Thurmond and Senator William Cohen to outline the Administration's thinking and to seek their support for efforts to delay the legislation on trade issues piling up on Capitol Hill.

After meeting Dr Yeutter, Sena*tor Danforth said: "I am very pessi*mistic that we are going to work anything out with the Administration."

Trade experts in Washington maintain that the Administration's efforts to prevent Congress voting on some trade legislation in the next few weeks are doomed.

One congressional source, drawing parallels with the President's abrupt reversal of his position on sanctions against South Africa this week in the face of likely defeat in Congress, commented: "They are trying to limit damage and avoid defeat."

He added that so *far as trade poli*cy was concerned, the Reagan Administration "slept through the fire in the basement, and slept through the fire in the first floor." He suggested that it was too late to head off a congressional vote on some form of trade legislation. The President is widely expected to vet trade legislation which he deems protectionist.

Morgan Stanley buys market indices rights

BY PAUL TAYLOR IN NEW YORK

MORGAN STANLEY, the blue-chip Wall Street investment bank, said yesterday that it has acquired the rights to the publications and widely watched stock market indices of Capital International Perspective, the Geneva-based international da*ta company and subsidiary of the* Capital Group, an international fund management group based in Los Angeles.

The terms of the deal, seen as a key expansion of Morgan Stanley's international operations, were not disclosed. Capital International Perspective and the Capital International indices have been published since 1969.

The publications cover more than 1,600 companies, mainly in Europe, with a combined market value of $2,500bn, and are used by asset managers and broker dealers around the world as a benchmark for measuring success in global investment management.

Morgan Stanley, which said it will rename the indices, the Morgan Stanley Capital International indices, said the action represented "a key strategic move that will provide a *linchpin for our global* research effort."

Mr Richard Fisher, president of *Morgan Stanley Group, said the* purchase would play an important role in the firm's expanding international research and global investment capability under the direction of Mr Barton Biggs, Morgan Stanley's chief investment strategist.

"Capital International Perspective provides a a high quality product that is already recognised by institutional investors throughout the world. It is a fitting complement to

Continued on Page 16

French language purists say 'non' to pop

By Paul Betts in Paris

FRANCE is launching another of its periodic attempts to protect the French language from Anglo-Saxon contamination. The latest targets of the Government's attention are a whole series of words and expressions that have been steadily creeping into the popular French idiom as a result of the growing influence of American and British pop music.

M Georges Fillious, the French Communications Minister, wants to ban the use of words like "Walkman," "hit parade" and "disc jockey," because he feels that there are perfectly good French terms to express the same meaning.

Just to take the above three examples, the defenders of the French language believes that *baladeur* is a far more elegant way of describing a personal stereo, while *palmares* is a good French expression for "hit parade," and *animateur* is just as good as "disc jockey."

The latest campaign comes at the time when anxieties have again *arisen about the role and declining* worldwide influence of the French language. The Paris newspaper Le Monde, last week claimed that M Roland Dumas, the French Foreign Minister, was keen to see French again become one of the key languages for the international scientific community.

But Le Monde also wistfully concluded that it was hardly likely that French would return to the days when "the language of Moliere was used by the ambassadors of the Austro-Hungarian empire in their dispatches".

The French Socialists since they came to power have continued the long tradition of French governments trying to halt the ever-increasing invasion of Anglo-Saxon expressions, or "Franglais", entering the French language. They have also intensified the campaign against American culture, spearheaded by M Jack Lang, the Socialist *Minister of Culture*, whose popularity in recent months has been rising.

But M Lang's efforts have had no impact on the popularity of American originals.

In a futher effort to safeguard traditional French values and culture, M Jean Pierre Chevenement, the Socialist Education Minister and a leader of the party's Ceres left-wing faction, has now made it obligatory for all French schoolchildren to learn by heart the "Marseillaise," the national anthem. Spurred by President François Mitterrand he has also made the teaching of French history a priority alongside the new computer sciences.

CONTENTS

Emergency called as French fires flare

A state of emergency has been declared in France's southern Gard department after a forest fire flared up overnight, burning houses and injuring seven firemen, local officials told Reuter in Ales.

They described the fire, which destroyed 7,000 acres of land, as one of the worst of the season and said 900 soldiers backed by nine specially equipped aircraft were fighting the flames. Three villages around the small town of Chamborigaud were threatened by a wall of flame

Senior officials believed the fire was almost certainly caused deliberately.

Barbie trial delay

The trial of former Gestapo officer Klaus Barbie faced a further delay yesterday when a court postponed a final decision on the charges he should face, Reuter reports from Lyons. The ruling is expected to delay the opening of the trial until early 1986. Barbie, Gestapo chief in Lyons from 1942 to 1944, has been in jail in the city since he was expelled from Bolivia to France in February 1983.

Monaco appointment

Monaco's Prince Rainier has appointed a former French diplomat M Jean Ausseil (60), head of the principality's Government. Reuter reports from Monte Carlo. M Ausseil was ambassador to Uruguay and Ethiopia.

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Kevin Done in Oslo examines the problems facing the ruling coalition after Monday's election

Norway's victors may have to toe Labour's line

THE STRONG surge of support for the opposition Labour Party in the Norwegian general election last Monday is expected to create serious problems for the Conservative-led coalition Government in the new parliament, particularly on security and foreign policy issues regarding Norway's relations with Nato.

The Government could also face changes in economic policy and an increase in public spending, particularly on health and social services, which would add to the inflationary pressures already building up in the Norwegian economy.

The centre-right coalition managed to hang on to power but only by the narrowest of margins. The three-party coalition has a majority of only one seat over the Labour Party and its left-wing ally the Socialist Left Party.

The maverick right-wing Progress Party has two seats and will effectively hold the balance of power in the Storting, the Norwegian Parliament.

Mr Carl Hagen, the Progress Party leader, has said that in principle he would support a centre-right government, but his strategic position in the next Parliament adds an unpredictable new element to Norwegian politics.

The Socialist bloc (the Labour, Socialist Left and Liberal Parties) actually won a bigger share of the votes than the four non-Socialist parties, 49.5 per cent against 48.9 per cent. But they were cheated of power by the distortions of the electoral system, which works proportionately in each of the 19 multi-member constituencies, but not nationally.

Ironically, the Labour Party has been the main obstacle to *reform of the system* which traditionally favours the bigger parties. However, Mrs Gro Harlem Bruntland, the Labour leader, said yesterday that the party may well have to reconsider its position.

Labour may be persuaded to *support reform following* the performance of the two smaller members of the Government, the Christian Democratic and Centre Parties. They formed an electoral alliance in most constituencies to avoid wasting votes, the first time this device has been allowed since 1949, and both gained an extra seat despite a lower share of the votes.

The Labour Party increased its share of the votes to 41 per cent from 37.2 per cent at the last election in 1981, gaining five seats to take 71 places in the 157-member Storting.

The election was a personal victory for Mrs Bruntland, the medical doctor who has led the party since 1981. It also strengthens Labour's position as Norway's largest single party.

The Conservatives, who ruled alone in a minority Government from the autumn of 1981 to June 1983, saw their representation fall by three seats to 50 while their share of the votes fell by 1.5 per cent to 30.2 per cent.

The three coalition parties won 78 seats, the Socialist bloc won 77 and the Progress Party two. The four non-Socialist parties' majority in the Storting was cut to three from 11 in the present parliament, while their share of the vote slumped to 48.9 per cent from 52.2 per cent in 1981.

The 101-year-old Liberal Party, which was badly split in the early 1970s over the issue of Norwegian membership of the EEC failed to get re-elected and lost both its seats.

Mr Kare Willoch, the Prime Minister, and Mrs Gro Harlem Brundtland, Labour leader.

NORWAY'S ELECTION

(1981 results in brackets)

	% of poll	Seats
Conservatives	30.2 (31.8)	50 (53) −3
Christian People's	8.3 (9.3)	16 (15) +1
Centre	6.7 (6.6)	12 (11) +1
Progressives	3.7 (4.5)	2 (4) +2
Total non-Socialist vote	48.9 (52.2)	80 (83) −3
Labour	41.0 (37.1)	71 (66) +5
Left Socialists	5.4 (5.0)	6 (4) +2
Liberals	3.1 (3.9)	0 (2) −2
Total Socialist vote	49.5 (46.0)	77 (72) +5
Others	1.7 (1.6)	0 (0)

Votes cast 3,098,153; turnout 82.7 per cent (81.9).

It had campaigned heavily on environmental issues, styling itself as Norway's "Greenest" party.

Labour seized the initiative early in the campaign and fought hard on issues that have highlighted glaring deficiencies in the country's system for health care and old age care: the growing queues for operations and hospital beds, and the shortage of personnel and equipment.

It made its gains on Monday chiefly in areas of above-average unemployment, in the coastal fishing communities and the far north of the country. In the northernmost county of Finnmark, Labour increased its share of the vote by more than 10 per cent.

There is a clear feeling in the peripheral areas of Norway that they have not enjoyed the fruits of the economic boom of the last two and a half years to the same extent as Oslo and other large towns.

Such discontent has probably been reinforced by the unusual sight of large fortunes being made in the Norwegian capital by a small number of speculators on the Oslo stock exchange in a succession of highly-publicised takeovers and greenmailing bids during the last three years.

In a report given wide publicity in the middle of the election campaign, one London stockbroker said: "The Norwegian market is increasingly beginning to look like a casino."

Government spending has risen very quickly in the past four years, with a large part going to the local authorities for spending on health, social services and education; but is it Labour that has created the image for itself as the party that "cares."

In an economy buoyed up by growing revenues from North Sea oil and gas production, it is becoming increasingly difficult to set limits for government spending, and Labour benefited from a series of lavish promises made during the campaign.

Mr Kåre Willoch, the Conservative Prime Minister, admitted yesterday: "There is a lot of wishful thinking because of oil revenues. It is difficult to explain and get acceptance for polices that avoid inflation."

He said the most difficult task in the next parliamentary term would be "to keep the economy stable despite enormous inflationary pressures."

Mr Willoch, with only a wafer-thin majority and the opposition Labour Party in an aggressive mood, may well feel forced to slacken the *reins of* economic policy even more than he has already since suffering setback at the hands of coalition parties in the local elections in 1983.

The more immediate problems could be faced on the security and foreign policy front, where the Government has already seen several defections from its ranks during its present term.

Mr Willoch has tried to pursue a steadfast course in support of both Nato and the U.S. and has pinpointed the dangers of Labour's wavering stance on certain key issues.

The Labour Party, when in government, was one of the architects of Nato's twintrack decision, but in opposition it has opposed the deployment of intermediate range nuclear missiles in Europe.

The opposition has been critical of the U.S. Strategic Defence Initiative for the development of weapons systems in space.

Mr Willoch must clearly be fearing that Norway is sliding towards the nightmarish situation in neighbouring Denmark, where the coalition Government runs economic policy, but where the opposition led by the Social Democrats, leads an increasingly anti-Nato security and foreign policy.

It is not surprising that one Oslo newspaper yesterday placed the headline "Poor Willoch," over its story of the Government's election victory, and another wrote "Condemned to govern"?

Austrians raise glasses to a 'pure and unadulterated' product

WITH PEOPLE sampling wines at colourful outdoor stands and eating sausages, the traditional wine festival in the baroque town of Eisenstadt in eastern Austria resembled those held every September, Reuter reports.

But for the first time since various Austrian wines around the world were found to be contaminated, the week-long celebration in Burgenland province ending last Sunday was advertised as "The Festival of 1,000 wines—unadulterated and pure."

The slogan aimed to reassure those attending that vintages sold did not contain diethylene glycol, a toxic solvent which had been widely used as an inexpensive wine sweetener. The scandal, which broke in July, halted wine exports and damaged Austria's reputation abroad for quality goods.

Of the 57 wine-growers, merchants and chemists detained so far in connection with the scandal, 21 came from the Burgenland province, police said. The region, which borders on Hungary, produces a third of all Austrian wine.

To participate in the festival, wine-growers had to allow inspectors to test their wines chemically and then had to swear before a public notary the wines were pure.

The festival's organiser, Herr Paul Wolf, said there were 39 wine-tasting stands operated by regional wine-growers and merchants. Both he and many wine-growers at the festival expressed concern about the scandal's effects and said consumers' faith in Austrian wines had to be restored.

But they said that a wine control law passed by Parliament last month was bureaucratic and too harsh on honest producers.

The law, which sets up a complex system for checking and labelling wines similar to the French *appelation controllee* system, goes into effect next month for Austria's 53,000 wine-growers. Bottles will have to state the origin, alcohol and sugar content of the wines, and its category—dry, medium or sweet. Maximum bottle size for high quality wines will be 0.75 litres and a numbered inspection stamp must be stuck over each cork.

"It will surely be costly for every wine business," said Josef Kugler, whose family operation produces more than 30,000 litres of wine a year. "We will have to number each bottle."

Elfriede and Johannes Holler, wine-growers from the nearby village of Rust, said: "The scandal is such a shame—we really have one of the best wine-growing areas . . . we've received letters from buyers in Belgium and the U.S. saying they were still interested in importing Austrian wines, but they want to wait a bit until the scandal blows over."

Hopes rise as security conference re-opens

By David Brown in Stockholm

THE 35-NATION European Security Conference began its seventh round here yesterday in what representatives of East and West called the most positive tone since the talks began early last year.

Mr James Goodby, the senior U.S. delegate, said the "evident will of the two superpowers to improve their relationship has given an impetus" to the negotiations, which are aimed at finding ways to reduce the risk of war in Europe as a result of accident of miscalculation.

"Positive" Soviet remarks at the opening plenary session, he said, suggested the talks will now "increasingly move into real give-and-take type negotiations." He stressed, however, that differences remained "on very substantive issues."

Mr Oleg Grinevsky, the chief Soviet delegate, spoke of "definite possibilities" in the current round but declined to say whether the Warsaw Pact will produce new proposals.

In a statement released on Monday, President Ronald Reagan urged the conference, now past its half way mark, to reach concrete and meaningful agreement as soon as possible.

The pace of discussions has been checked, however, by the difficulties of the nine neutral and non-aligned (NNA) states in agreeing on their own joint proposal, delegates say.

Both superpower blocs will continue informal discussions on resolving such issues as the extent and thresholds for advance notification of military manoeuvres, numerical and geographical constraints on such activities, verification procedures and observation methods.

The NNA states have found it more difficult than expected to formulate a proposal which adequately addresses their own widely different national security interests, a leading delegate conceded.

"We now have the curious situation where the East and West are edging closer to real negotiations but the NNA states are standing in the way," said a senior Nato delegate.

French car group might cut back Spanish operation

BY PAUL BETTS IN PARIS

M JACQUES CALVET, chairman of Peugeot, warned yesterday that the French private car group would consider reducing its operations in Spain if it failed to gain the support of the Spanish Government in its continuing efforts to restructure its car manufacturing activities there.

Peugeot has been trying to cut 4,000 jobs at its Villaverde plant in the Madrid area. Under an agreement with the Spanish Government signed in 1982, the Madrid authorities agreed to support Peugeot's efforts to cut back the Villaverde workforce.

However, this agreement is now about to expire with Peugeot having managed to cut only about 2,000 out of the target of 4,000 jobs at the car plant. The French company now wants new commitments from Madrid to resolve its problems at Villaverde.

Moreover, the French group also faces similar problems at its other Spanish plant at Vigo which is owned by its Citroën subsidiary.

M Calvet has now toughened his position towards the Spanish authorities. In an interview yesterday in Le Monde, the Paris afternoon newspaper, the Peugeot chairman warned that the car group might be forced to re-centre its car manufacturing operations even more on France "if the Spanish Government fails to understand the efforts we have made for a long period at our Villaverde and Vigo subsidiaries and does not help these efforts."

The Peugeot group has manufacturing operations outside France in Spain and the UK.

M Calvet also made a strong appeal in the newspaper to safeguard French industry from the disruptive impact of political instability as a result of the campaign for next year's French general elections.

Although the general situation of the French car market had improved slightly, M Calvet called for more favourable fiscal and price conditions to support the French motor industry.

The Peugeot chairman would like the Government to follow up its abolition of price controls on French cars this summer with the lifting of price controls on motor components and parts. He would also like French value added tax on cars to be reduced from its current level of 33 per cent.

Peugeot's target is to gain 33.7 per cent share of the French market this year. The car group is now recovering after several years of heavy losses following major restructuring

Vatican condemns news syndicate

By James Buxton in Rome

THE VATICAN yesterday condemned the manner in which an international news syndicate owned by Mr Rupert Murdoch, the newspaper publisher, had handled a column based on the views of the Pope and signed by the Pope.

Without naming the company, the trenchant statement accused the perpetrators of the operation of acting in a "vulgarly shameless way."

The first such column – entitled Observations by His Holiness Pope John Paul II – appeared in the Madrid newspaper ABC at the weekend. The article reported the Pope's views on apartheid, aparently culled from his various pronouncements and writings on the subject. The one-page article was copyrighted "The Times of London and News America Syndicate."

Until now the Vatican, while saying that it favours the propagation of the Pope's words, has insisted that it has absolutely nothing to do with the venture.

But yesterday Monsignor Giulio Nicolini, deputy head of the Vatican Press Office, said of the column, which had evidently now been studied by the Vatican: "I can only express amazement and disapproval. It is unacceptable that the name of the Holy Father should be used as a journalistic byline and involved in *commercial operations.*"

He said that while everyone had the right to publish papal sermon documents, "the acquisition of exclusive rights is explicitly forbidden." The right to use and quote such sources carries the obligation to attribute precisely the source, "so that the exact significance of every concept can be considered in text and context, so that the reader can verify its authenticity.

"It is a cause for astonishment," Mgr Nicolini said, "that this basic element of professional ethics has been ignored, and in such a vulgarly shameless way."

The Vatican said that there had been absolutely no agreement of any kind between the Vatican and those responsible for the column. He said that two Cardinals whose names had been mentioned in connection with the venture had done nothing more than encourage the propagation of the sayings of the Pope.

Brussels threatens airlines with legal action

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN COMMUNITY airlines and governments will face legal action, launched by the Commission in Brussels unless steps are taken to liberalise civil aviation by June.

This warning from Mr Stanley Clinton Davis, the commissioner for transport, came in a speech yesterday to the European Parliament in Strasbourg. Although the Commission has been threatening legal action against restrictive practices in civil aviation this is the first time it has set a time limit for poltical discussions on liberalisation.

The Commission's own plans for liberalisation, which have served as the basis for dis- were put forward in a memorandum published in March, cussions in the Community, 1984. But no high level *negotiations* on it *have yet* taken place.

"If by next June the negotiating process launched by the memorandum is not seen to be working, then we will have no option but to use other weapons. These weapons include direct action by the Commission against airline and government practices which it believes are contrary to fair competition," Mr Clinton Davis said.

So far, the airline industry has been controlled by a network of bilateral traffic and pricing agreements. To all intents and purposes it has worked outside the normal framework of the *EEC* competition regulations.

The Commission memorandum envisaged bringing the airlines partially into this framework. There would be exemptions from the stricter aspects of the law in return for a system which permitted greater flexibility in the setting of fares and the provision of new services.

Mr Clinton Davis stressed: "*The Commission* prefers the balanced political approach it has proposed."

But the Commission, which has its own powers under the Treaty of Rome to police the competition laws, has for some *months been trying to stimulate* political action on its memorandum by using the law.

Its position would be strengthened if later this year the European Court of Justice hands down a judgment asserting the supremacy of EEC law over national law on the question of airline price fixing.

The Court has before it a case involving Nouvelles Frontieres, the French travel company, where the issue is whether fares should be fixed according to the restrictions in French law or whether they can be fixed freely in line with EEC competition law.

The Commission, however, has *already taken* the first steps towards bringing the governments of Belgium, West Germany, Greece, Ireland and Italy to the Court for failing to provide details of their airline pooling arrangements.

From January 1, 1986, the Commission is obliging all EEC governments to provide details *of their financial* links with airlines. And it is considering whether to take action against governments for illegal use of subsidies.

French Communists step up attacks on Socialists

BY PAUL BETTS IN PARIS

THE FRENCH Communist Party has intensified its attacks on the Socialists, its former partners in government, in an effort to halt its *electoral slide* as next year's parliamentary elections approach.

The Communists have decided not to wait until later this month for their traditional popular gathering, the *Fete de l'Humanité, to launch a fierce* campaign backed by disruptive labour actions by its trade union affiliate, the CGT confederation.

In recent days, leading Communist spokesmen have used *every opportunity on national* television to needle the Socialists and assail the Government's economic policies. The latest was a long attack on the troubled Renault car group's policies in the U.S. by *M Philippe Herzog, the spokes*man on economic affairs.

The party has made clear it will again vote against the Government's 1986 budget this autumn and has accused the Socialists of already "cohabiting" in practice with the right-wing opposition. This is a sarcastic reference to the "cohabitation" dispute currently *splitting the opposition* on whether a right-wing government could function under President Francois Mitterrand.

M Georges Marchais, the Communist secretary general, also used his recent visit to *Moscow* to renew his party's extremely close ties with the Soviet Union. In an eloquent demonstration of the party's dependence on Moscow, the French Communist daily newspaper L'Humanite published *yesterday* three full pages, in the form of an advertisement, on the Soviet Communist Party's congress next February.

However, the clearest example of the party's campaign against the Socialist administra*tion has come in a series of* union actions. The most spectacular involved a raid on a Renault showroom in Paris when CGT militants seized cars and used them to block the Champs Elysees in Paris.

Employers may quit Spanish wage accord

THE CHAIRMAN of Spain's *main employers organisation* yesterday threatened to withdraw from its wage pact with unions and the Government, saying talks with the Socialist administration had broken down, Reuter reports from *Madrid*.

Sr *Jose* Maria Cuevas said: "Everything now depends on whether the Government decides to abide by its commitments."

The row stems from Spain's rigid labour laws and the Government's promise to adapt them to European Community standards in advance of joining the EEC next year.

The government of Sr Felipe Gonzalez and the Socialists' trade union arm, the General Workers' Union, signed the pact last October setting out scales *for pay increases and dismissal* rules.

A formal pullout by the employers would upset government efforts to ensure industrial peace in the run-up to next year's general election.

West German GNP rises by 2% in second quarter

THE West German gross national product rose provisionally by a real, seasonally adjusted 2 per cent in the second quarter of this year compared with the first, when *it fell 1 per cent from the fourth* quarter of 1984, according to the Federal Statistics Office, Reuter reports from Wiesbaden.

GNP increased a real 3.2 per cent between April and June compared with the second quarter of 1984, when labour disputes severely disrupted output.

The second quarter increase resulted in overall first half real growth of 1.7 per cent compared with the first half of 1984, when it was up 2.5 per cent from the first six months of 1983.

The Statistics Office said the economy was growing at around the same rate as in the second half of last year. The 3.2 per cent year-on-year rise was somewhat exaggerated because the economy had been hit in the second quarter of 1984 by strikes in the metal and printing industries.

Commenting on the 2 per cent growth, it noted that the economy had shrunk in the first three months of this year, largely because of unusually bad winter weather.

Exports provided a strong stimulus for economic growth in the second quarter, while domestic demand also showed a *recovery compared* with earlier in the year.

Private consumption rose a real provisional 0.1 per cent in the second quarter against the same quarter of 1984. In the first quarter, it fell 0.2 per cent against the year earlier. Exports rose a real 10.8 per cent in the second quarter against the same 1984 quarter, while in the first quarter they had been 7.2 per cent higher than a year ago.

The Economics Ministry said that recovery in the ailing West German construction industry was the main reason for the rise in GNP. Investment in the building industry surged by 10.5 per cent in the second quarter from the first quarter when investment had plummetted 17.5 per cent from the last three months of 1984.

Belgians keen to secure Star Wars technology

BY OUR BRUSSELS STAFF

BELGIAN PARTICIPATION initiative — the so-called Star in the U.S. strategic defence Wars project—must be coupled with a real transfer *of technology to Belgian com*panies, the Ministry of Defence said yesterday.

Comments by the Ministry, made in the context of an analysis of Belgium's defence policy and capability, reflect a *concern that failure* to participate would result in the country lagging technologically.

This view contrasts with doubts in Bonn, expressed on Monday by Herr Heinz Riesenhuber, the West German Science Minister, that Star Wars cannot be justified in terms of civilian research policies. Similar doubts *have* also been expressed by business men.

The difference in approaches emphasises the difficulties in fashioning a common European Community response to the U.S. initiative, directed first at missile defence in space.

The European Commission is due to consider today a paper which seeks to fit Star Wars into the broader development of European technology.

For the Belgian Ministry of *Defence*, negotiations between the U.S., and its European partners, Japan and Israel "will have a decisive effect on the circulation of know-how as it relates to new technology." An industrialised country which does not participate in such research programmes can be left behind "with the incalculable *consequences that can have on* economic and social plans."

The Belgian Government has not yet made up its mind *on* Star Wars policy. It has experts looking at the question. However, the whole matter of technology transfer back to Belgium is put forward as a sine qua non of the experts' considerations.

Solidarity boycott call denounced

WARSAW – Poland's government spokesman denounced as an act of "cowardice" yesterday calls by the outlawed Solidarity free trade union for Poles to boycott next month's parliamentary elections.

"We are not worried by this boycott because it makes clear the political line of those various isolated groups of our opponents," Mr Jerzy Urban, the government spokesman, said at this weekly news conference.

Mr Urban made his remarks one day after 100 leading Solidarity activists called the October 13 elections to the 460-seat Polish parliament a "farce" and appealed to Poles to join them in boycotting the voting as a protest against political repressions and deepening poverty.

"They are not Solidarity members but extreme, radical political activists hostile to our state," said Mr Urban, referring to signatories of the Solidarity statement.

"I think that the calls for an election boycott have an element of cowardice as one may go (to the polls) and express various convictions."

Mr Urban predicted that most Poles would not respond to the boycott appeal because its advocates represented "only the margin of the country's political life."

OVERSEAS NEWS

Surrender for Afrikaners rejected

BY ANTHONY ROBINSON IN JOHANNESBURG

MR KOBIE COETSEE, South Africa's Minister of Justice, and leader of the National Party on the Orange Free State, yesterday gave an insight into the current thinking of the Government when he rejected what he called "anattitude of self-reproach and atonement through surrender" being advocated for the Afrikaner.

Speaking at the party's provincial conference in Bloemfontein, Mr Coetsee said that if the Afrikaners gave in to these pressures, "South Africa would soon become the most popular corpse in history."

Afrikaners, he said, were being subjected to a three-part strategy. This was aimed at breaking down their self-confidence and at creating a climate for negotiations whose results would be predetermined.

At the same time South Africa was being kept on the defensive by ensuring that it was so busy on the local and international fronts that it could only react to circumstances created from outside.

His speech, echoing the "Don't push us too far" warning by President P.W. Botha in his Durban speech last month, was accompanied, however, by an announcement that the regional party had voted overwhelmingly to recommend the abolition of "antiquated laws banning Indians and Chinese fro mthe province."

The laws prohibited trade, farming and property rights for "Arabs, Chinese, coolies or any other Asians" and forbade them to stay more than 72 hours in the state.

Meanwhile, Mr Louis le Grange, Minister of Law and Order, has backed up President Botha's opposition to the proposed talks between South African business leaders and the African National Congress.

"Discussions with an organisation involved in armed violence against South Africa could not serve a meaningful goal and had to be discouraged," he said.

Referring to the current unrest, Mr Le Grange said that more than 660 people had died and 2,400 civilians had been injured while the security forces had lost 11 dead and 357 injured. He estimated riot damage at R93m.

"Law and order has to be restored with strong and single-minded action. The full power of the state has to be employed to this end," Mr Le Grange concluded.

Meanwhile, trouble was building up again in the Western Cape yesterday at the start of a two-day work stay-away and a decision by 60 white pupils at private and government schools to boycott classes.

They were acting in solidarity with the 360,000 coloured students affected by the closure of nearly 500 schools after 10 days of rioting in the area.

The Government has tried to curb student radicalism by banning The Council of South African Stddents (Cosas) but to little avail.

Dozens of students were arrested by police in Soweto near Johannesburg yesterday, as they attempted to march on a local police station to demand the release of classmates arrested on Moday.

The Johannesburg Stock Exchange and the foreign exchange market shrugged off President Ronald Reagan's announcement of limited sanctions as the Rand firmed slightly to close at 40 U.S. cents after opening at around 39.15 cents.

Gold shares rose marginally in line with the bullion price while industrials drifted lower.

As the foreign exchange market adjusted to the new régime of blocked capital repayments, bankers noted that the low return offered by the Reserve Bank on its special blocked accounts, only Libor plus 0.25 per cent, was proving quite effective in persuading creditors to roll over credit lines at higher market rates, rather than pay an interest-rate penalty for closing them.

This and the underlying strength of the current account was expected to lead to a firmer Rand once the distorting effect of payment leads and lags had worked through the system.

The longer-term consequences of President Reagan's executive order, however, have been perceived as distinctly worrying. Mr Harry Schwarz, opposition Progressive Federal Party (PFP) finance spokesman, said the President's action "broke the defence line."

The nature of the debate had now changed. "It is no longer a question of whether there should be punitive action—the issue now is what the nature of punitive action should be."

EEC ACTION AGAINST SOUTH AFRICA

Action	Member states involved
No new investment	Denmark, France, Netherlands*
No investment credits	Belgium, Denmark, France
Ban or restriction on export credits insurance	Belgium, Denmark, Ireland, Netherlands, West Germany
Ban on oil exports	Denmark, Netherlands, UK
Restriction on "sensitive" exports, e.g. computers	Denmark, France, UK
Ban on Krugerrand imports	Denmark†, France, Ireland, Netherlands†
Voluntary reduction of coal imports	Denmark, Netherlands
Ban on nuclear contracts	Denmark, France, Greece, Italy, UK, West Germany
Compulsory visa for SA nationals	Belgium, Denmark, France, Italy, Luxembourg, Netherlands
Withdrawal of ambassador	France, Greece

* Under discussion. † Voluntary.

CURRENT restrictions on economic, diplomatic and cultural relations between the EEC and South Africa show wide differences between the member-states, Quentin Peel writes. All 10 members ban any trade in arms and military co-operation, and any official sporting ties. They all discourage sports participation by teams and indviduals. The other most significant common policy is support for the EEC code of conduct for companies investing in South Africa. To promote better conditions and industrial relations for black workers.

THE four-month partial freeze on external capital repayments introduced by the South African authorities will make it possible for domestic monetary and fiscal policy to be formulated more independently from the Rand exchange rate, the Standard Bank notes in its latest monthly review Anthony Robinson reports

The Government's priority has shifted away from the reduction of inflation through monetary and financial stringency to growth stimulation, with employment creation the main objective of short-term policy.

This implies lower interest rates and, it is hoped, lower taxes, but is bound to result in increased Government spending. This should produce the desired recovery of consumer demand next year but also means that the inflation rate, currently around 16 per cent, is now likely to fall by less, and will rebound earlier in 1986 than hitherto expected.

New Lagos finance chief supports IMF deal

By Michael Holman and Patti Waldmeir in Lagos

NIGERIA'S new military government yesterday provided further evidence of a likely shift in economic policy with the appointment as Finance Minister of Dr Kalu Kalu, an economist who in the past has spoken in support of an agreement with the International Monetary Fund (IMF).

The appointment of Dr Kalu to the 22-member cabinet announced yesterday follows earlier indications from the Government of President Ibrahim Babangida that his Government would seek to break the deadlock over terms for up to $2.4bn in loans from the Fund. An agreement would pave the way to a $600m World Bank structural adjustment loan, and the rescheduling of some $2bn in insured trade arrears.

The visiting British Foreign Secretary, Sir Geoffrey Howe, who yesterday met President Babangida and senior officials of the Government, made it clear in his talks that Britain would welcome an agreement with the Fund and support Nigeria's efforts to restructure an economy severely hit by a slump in its oil receipts. Britain has been prominent among Western export credit agencies who have insisted that an agreement is a pre-condition to the rescheduling of insured trade arrears and normal import cover.

On coming to office on August 27 in a military coup, President Babangida called for a national debate on the merits of an IMF agreement, which has been held up over the Fund's demand for a substantial devaluation of the naira and a cut in the subsidy on domestic fuel.

In the debate to date, carried in the national Press, both demands have attracted strong criticism from many quarters and the Government faces an uphill task in convincing the man in the street that an agreement which incorporates the conditions will be in Nigeria's interest.

Dr Kalu, former Finance Minister in Imo state, has also served as an economist at the World Bank. He has long argued the merits of a devaluation and the need for an agreement with the IMF.

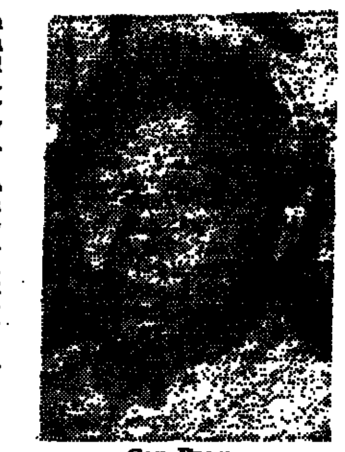
The Cabinet appears to be a careful mix of civiilan and military appointments, with four members of the old cabinet retaining their posts, including Prof Tam David-West as Oil Minister.

Prof David-West is thought to have won favour with the new Government by his staunch opposition to the former administration's controversial policy of counter trading oil for goods, which President Babingida has criticised as costly, inefficient and open to corruption. He is also credited with having won an increase in Nigeria's Opec production quota last year to 1.45m barrels per day from the previous 1.3m b/d.

Speaking to members of the Nigerian British Chamber of Commerce, Sir Geoffrey pursued the theme of political reconciliation between the two countries, saying that "the bonds which unite our two countries are too strong to be undermined by temporary misunderstandings."

Thailand allows coup bid leaders to fly abroad

BY CHRIS SHERWELL AND BOONSONG K'THANA IN BANGKOK



Gen Prem

THE THAI authorities, shaken by an abortive coup d'etat on Monday, yesterday indicated that two brothers who spearheaded the bloody take-over attempt had been allowed to fly abroad shortly after surrendering.

Mr Paniang Kantarat, the deputy Defence Minister, was quoted as saying the former "Young Turk" officer who spearheaded the coup operation, Col Manoon Roopachorn, had left on Monday night on an airforce aircraft for Singapore, taking with him his younger brother, Manas, an air-force wing commander.

Local Press reports said they were allowed to leave in return for the life and safety of Air Chief Marshal Praphan, the Air Force Commander-in-Chief, whom they held hostage.

The move appeared aimed at limiting the immediate repercussions of the 10-hour takeover. But by last night, the wider reverberations of Thailand's "Black Monday" were already being felt, although who exactly had arranged the coup remained obscure.

The rebels' complaint about the deterioration in the Thai economy seemed likely to increase pressure on Gen Prem Tinsulanonda, the Prime Minister, and Mr Sommai Hoontrakul, his Finance Minister, to review their austerity policies, which have added to general hardship.

A routine Thai Cabinet meeting went ahead as scheduled yesterday morning, but was notable for Gen Prem's absence.

Some junior members of the ruling four-party coalition have called for a reshuffle, and, although this has been mooted before, the pressure could now grow stronger.

The casualty toll in Monday's street fighting between loyalist forces and rebel units, meanwhile, rose to five dead and 60 injured, including two U.S. television correspondents who died in a hail of gunfire outside a strategic radio station. Property damage was significant.

Gen Prem said yesterday that the state of emergency imposed in Bangkok might be lifted in two or three days. He did not make clear whether an investigation was being conducted.

Question-marks still hang over the involvement of three former generals said to have been involved in the affair—Gen Krangsak Chomanand, a former Premier; Gen Serm Nanakorn, a former commander-in-chief of the army; and Gen Yos Thepsadin, a former deputy army commander-in-chief.

All three were prominent figures in the late 1970s and even now, Gen Kriagsak heads one of the parties in the present coalition Government. There were reports yesterday that they may be brought before the King to explain themselves.

Nakasone frustrated in bid to soothe U.S.

By Jurek Martin in Tokyo

MUCH AS they might sometimes like to, Japanese Prime Ministers cannot normally wave magic wands. The need to build consensus, the power of the bureaucracy and the incessant political infighting inside it reduce the freedom of action and manoeuvre enjoyed by the head of government.

Mr Yasuhiro Nakasone is, at present, particularly frustrated. He desperately wants to head off the worst of American discontent with Japanese trading practices.

Mr Nakasone is going to Washington next month to beard the lion in its den and badly needs something more than this summer's long-term import action programme with which to feed the American beast. But he is finding that what he wants is hard to get.

Last week, he failed to persuade his ruling Liberal Democratic Party formally to abandon its nine-year-old guideline restricting defence spending to less than 1 per cent of Gross National Product, a policy urged by Washington.

This week, he seems to have failed to secure anything other than a half-hearted informal commitment from the Ministry of Finance to curb the outflow of long-term capital from Japan to the U.S., a haemorrhage that probably has helped to keep the yen undervalued against the dollar.

On the defence side, a political compromise produced, at the same time, agreement to maintain the 1 per cent ceiling "for the time being," and agreement to support a 1986-90 defence build-up which runs counter to that ceiling.

On top of that, the Government is facing an official recommendation that civil service pay, which includes the military, should go up by 5.74 per cent; anything more than 1 to 2 per cent would pierce the ceiling.

There are two possible "solutions" to the problem, though neither is likely to occur before Mr Nakasone goes to Washington.

The first is to freeze bureaucratic pay, a tried and trusted device. The second is that in December the Government is in any case due to revise the methods by which it calculates the Gross National Product.

This might appear a cynical example of cooking the books, though in fairness it must be pointed out that all industrialised countries periodically revise their GNP components to take account of structural shifts in the economy — and the Japanese economy is becoming more service-oriented.

So a higher revised nominal GNP could leave room for defence spending to grow by something like 6-7 per cent in real terms and still remain under the 1 per cent limit (it currently stands at 0.997 per cent).

But it would still be a close-run thing and leave little margin against any slowdown in general economic activity.

In this context, Japan, more than most countries, is relieved by the latest encouraging economic figures coming out of Washington. Moreover, with a general election likely next year, some stimulatory tax cuts in the $3bn-4bn (£2-£2.8bn) range, are becoming ever more probable.

On the financial issue, the net long-term capital outflow, having exceed $8bn in both June and July, was only about half as much as in August.

The dollar's rebound in the last fortnight—even if so far less against the yen than against other currencies — certainly seems to have unnerved Mr Nakasone

Last weekend, he urged that ways be found to curb the capital outflow. In response, the Ministry of Finance politely told him on Monday that it might be prepared to exert some moral persuasion on Japanese institutions to hold back on their U.S. bond purchases.

But, with the next breath, it promptly pointed out that reimposing exchange controls or any other kind of formal curb was antithetical to the whole idea of financial liberalisation —a policy to which the Government is committed and which the U.S. and other nations are urging be accelerated, not slowed down.

Curiously, Mr Nakasone's frustrations do not appear yet to be undermining his domestic political credibility. There is today, if anything, much more speculation that he might win a third term in office next year than was the case a few months back, when his future looked much bleaker.

Certainly, no other contending politician seems to want to shoulder the burdens of a tricky passage in U.S.-Japanese relations. Giving him the tools he wants, however, is another matter.

Hobeika's visit raises Lebanon truce hopes

BY NORA BOUSTANY IN BEIRUT

THE RETURN of Mr Elie Hobeika, strongman of Lebanon's Christian militias, from a landmark visit to Damascus has bolstered chances for a truce in Lebanon and highlighted increasing dependence on Syria.

On his arrival in Beirut late on Monday, Mr Hobeika, the new commander of the Lebanese Forces, summed up the outcome of his journey at the head of a four-man team, as "the beginning of the end of Lebanon's war."

He described his talks with the Syrian Vice-President, Mr Abdel Halim Khaddam, as extremely successful. Intensive behind-the-scenes preparations for the encounter had preceded Mr Hobeika's trip.

Although it was not his first visit to Damascus, it was the first official Syrian reception of a Lebanese Forces delegation.

The cordiality of Syrian leaders signified the Lebanese forces' recognition as an effective Lebanese faction, and the Christian militias' public shift from a 10-year-old alliance with Israel to Syria.

In South Lebanon, Israel released the last batch of 1,132 Lebanese and Palestinian prisoners from the jail of Atlit.

Officials of the Shi'ite Amal militia declined to confirm whether the 119 released yesterday included all the prisoners expected to be freed before two French hostages detained by Moslem extremists were allowed to rejoin their families.

The leader of the Amal movement, Mr Nabih Berri, pledged last June that M Michel Seurat, a researcher, and M Jean-Paul Kauffmann, a journalist, would be set free on the release of all prisoners held in Israel's Atlit jail. M Seurat and M Kauffmann were taken away by gunmen in the Moslem-controlled sector of West Beirut on May 22.

It is not known whether the decision by Israel to discharge Lebanese Moslem detainees from Atlit would facilitate the release of nine other foreigners abducted in West Beirut.

They include two French diplomats and seven Americans. The fate of the Atlit prisoners was the main demand put by the extremist Shi'ite hijackers of the TWA plane last June.

Democrats try to force new sanctions vote

By Stewart Fleming in Washington

SENATE DEMOCRATS, apparently backed by a handful of Republicans have moved to try to force another vote on the controversial South African sanctions legislation. They see the package of sanctions President Ronald Reagan imposed on Monday as too mild.

The vote is scheduled for today, although it still could be postponed.

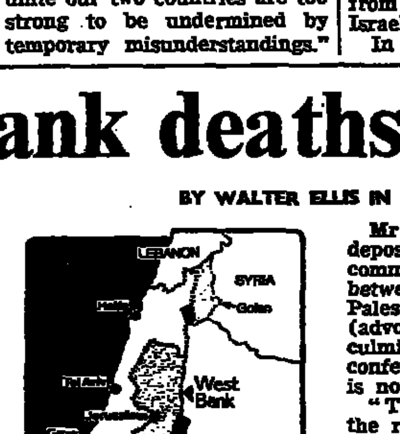
In the wake of Monday's vote on whether or not to bring the compromise sanctions package to the Senate floor — a vote which the Republican leadership supporting President Reagan won — Senator Edward Kennedy, a leading Democrat, was able to make use of Senate procedures to secure the vote planned for today.

"I think it is imperative we speak to the issue," he said in pressing for the Senate to address the sanctions Bill, which has already been overwhelmingly approved by the House of Representatives.

"The President's announcement today is well intentioned and it is a step in the right direction. But it is insufficient."

West Bank deaths unnerve Israel

BY WALTER ELLIS IN TEL AVIV



TWO WEEKS ago, a Jewish settler was shot in a shop in the West Bank village of Tulkarem. His death was followed last Tuesday by the fatal stabbing of an Israeli reservist guarding Jewish property in the Hebron Casba. A second soldier was wounded.

A few days later, a tanker driver delivering petrol to a filling station in Gaza city was knifed. In east Jerusalem, an elderly rabbi was stabbed at a bus stop. In all, 12 Israelis have been murdered since the beginning of the year, and a number of others have been wounded.

The effect of this violence has been to unnerve both the authorities and the Israeli public. There have been calls for revenge from Jewish activists as well as a more widespread clamour for the restoration of order in the areas occupied by the Israelis since the 1967 war.

The attacks represent an important challenge to the Israeli Government; and its response could have a profound impact on the possibility of peace negotiations with Jordan now being pursued by Mr Richard Murphy, the U.S. Assistant Secretary of State.

The wider implications of the unrest, particularly on the West Bank, are bound to occupy strategists on both sides of the divide. If the Israelis do give in to demands for a tough response, they may damage the delicate balance of relations with Jordan's King Hussein.

The Israeli right, including the Likud bloc which shares power in the Cabinet with the Labour Party, will not concern itself overmuch with this prospect. Rather, it could be expected to welcome anything which reduces the likelihood of talks.

For Labour, however, repression could be a disaster. Mr Shimon Peres, the Labour Premier, is anxious to promote direct talks with a joint Jordanian / Palestinian delegation (but not one which includes representatives of the Palestine Liberation Organisation). Peace and "justice" on the West Bank are seen as a prerequisite of advance.

Israel's security forces stepped up their presence in the territories at the weekend, greatly increasing their number of patrols and seeking to enforce a ban on demonstrations from whatever quarter.

"There will be soldiers all the time in all the cities," a spokesman said. At the same time, however, Jewish vigilantes and militias were out in force, and the homes of two former PLO prisoners were attacked.

Mr Mustafa Natchi, the deposed Arab mayor of Hebron, commented: "The agreement between the Jordanians and the Palestinians of February 11 (advocating peace in stages, culminating in an international conference on the Middle East) is now seven months old.

"The people are waiting for the results. Nothing happens. Then we look to the U.S.: Mr Murphy says he wants to meet the Palestinian delegation; but again, nothing. So we have a hopeless situation. No one wants now to solve the situation in a peaceful way."

Mr Natchi, whose writ still runs firmly among the Arab population of Hebron, claims that much of the anti-Israeli violence is being organised locally by frustrated West Bankers. Only half of those attacks ordered by the PLO, says Mr Natchi, are the responsibility of Fatah, the faction run directly by Mr Yassir Arafat.

Mr Arafat's problem on the West Bank is that, while he wishes earnestly to be seen working towards peace with King Hussein, he has simultaneously to avoid being upstaged in the field by the more militant, pro-Syrian faction of the PLO, headed by Mr Abu Mussa. With the territory in ferment, Fatah has to be careful to preserve its image as the armed defender.

From the Israeli perspective, the fact that most of the violence is being perpetrated, without subsequent rioting, by individuals means that it is difficult to mete out the appropriate response. The army was not operating an iron fist policy, one spokesman said, because there were no "collective punishments."

The security forces have so far confined retaliation to the bulldozing of those houses which belong to "terrorist" suspects were destroyed while the rest of their families homes were left standing.

Retaliation against the PLO presence in Jordan would be much more serious. Mr Peres has warned King Hussein several times about the dangers of permitting free rein to the Palestinians although there is every indication that the king is keeping them under tight control.

But while the Prime Minister could be expected to speak forcefully in Cabinet about the grave political risks of armed reprisal, the possibility of a raid into Jordan cannot be entirely excluded.

Settlers in the "administered" territories expect no less. They are in an uncompromising mood. Last week in Hebron, Mrs Mirian Levinger, mother of 11 children and wife of a prominent local rabbi, spoke warmly of her intention to turn the town's Arab vegetable market into a Jewish housing estate.

As she spoke, armed settlers and soldiers wandered her embattled enclave.

Among her husband's flock in Hebron is Mr Elud Michlis, a 23-year-old student from Tel Aviv. He does not accept Mrs Levinger's professed belief that Jews and Arabs can some day live together in Hebron.

"The Arabs must leave," he says. "I care about them as human beings, but it is more important for Jews to settle here than Arabs."

Abu Dhabi trial

The trial of the former Arab Monetary Fund (AMF) president, Mr Jawad Hashem, and five associates charged with financial malpractice was postponed yesterday after four of the accused failed to appear in court, Reuter reports from Abu Dhabi.

Mr Hashem denies the charges.

AMERICAN NEWS

Jimmy Burns on the trial of nine former leaders charged with human rights abuses

Junta generals to face the Argentine people

ARGENTINA'S federal appeals' court will return today from a three-week recess to hear the summing up by the prosecution in the historic trial of the nine leading members of the former military juntas.

The event promises to be the most dramatic and politically volatile of the proceedings so far. For the first time since the trial began on April 22, the men will be compelled by law to appear in court and hear the charges against them.

Former Presidents Jorge Videla, Roberto Viola and Leopoldo Galtieri, as well as three admirals and three brigadier-generals, face charges for human rights abuses between 1976 and 1983 that range from house-breaking to murder.

Former Presidents Leopoldo Galtieri (left), Jorge Videla (centre) and Roberto Viola face charges ranging from illegal detention to murder

None of the nine have made any formal plea to these charges. But there is a sense in which these men are as good as condemned: having not so long ago wielded unquestioned power in Argentina, they have been laguishing in civilian and military jails for the past two years of civilian rule, their political vitality slipping away with humiliating speed.

Gen Videla spends his time reciting the rosary, Brig Gen Orlando Agosti has been temporarily interned in a mental hospital following a nervous breakdown, and Admiral Emilio Massera has had to be separated from his fellow prisoners after picking a fight.

The accused now enter the dock as symbols rather than persons, and the mere fact of their presence will raise the pitch of the debate generated by their trial.

Defence lawyers will argue that the public humiliation of the juntas is simply the climax of a political show trial, whose legal basis they have savagely questioned all along.

At the time the alleged crimes were committed, the former commanders would have been entitled both constitutionally and juridically to judgment by their natural peers.

However, under a law approved by Parliament last year, cases of human rights violations which had not been resolved within a limited time scale by military judges passed automatically to civilian courts reconstituted as court martial boards.

The defence lawyers argue that this is retroactive justice orchestrated by the civilian authorities to serve their own political purposes.

The political risks of holding the trial are not being underestimated by President Raul Alfonsin. In the last month, he has made a point of directing his attentions towards the armed forces. Crack tank regiments, front line fighter squadrons, aircraft carriers and submarines have supplanted civilian rallies as the venues for presidential pep talks.

The change of tack partly reflects the President's new-found popularity in dealing with economic issues; but more importantly it underlines his conviction that now, more than at any stage since taking office in December 1983, he needs to treat the military with velvet gloves.

The attendance by the army high command in August at the monthly mass for "those fallen in saving the nation in the war against subversion" was an uncomfortable reminder of the wide gulf that still separates the men in uniform from the emerging new Argentina.

The military still appear unrepentant for their human rights abuses, justified morally, they claim, by the need to save Argentina from subversion.

The military's esprit de corps has refused to crack despite the appalling revelations concerning some of the 8,000 "missing" persons that have been thrown up by the trial.

President Alfonsin hopes to encourage the view that a line can be drawn between past and present military personnel, so enabling the armed forces to play a new professional role within democracy. The next and final stage of the trial should determine whether this is possible.

The prosecution will concentrate on the tapestry of horror meticulously woven in the proceedings over the past four and a half months, thanks to evidence provided by nearly 1,000 witnesses. The charges of murder, torture, illegal detention, breaking and entry, robbery and falsification of public documents covering some 427 exemplary cases have applied mainly to the two first juntas, for which the prosecutor is expected to demand the maximum sentence of life imprisonment.

The prosecutor will counter-attack the defence's other main argument that the cases involved members of the armed forces in "legitimate defence" against acts of resistance by some of the best organised guerrilla armies to have threatened Marxist revolution in Latin America.

While some of the prosecutor's cases have collapsed in court after being identified as concerning armed terrorists, the bulk of evidence has covered victims such as children, blindfolded women, and the physically handicapped.

The court martial board will have to decide whether the juntas are guilty not because they personally committed the crimes, but because they gave the orders.

What is at stake goes beyond the strict confines of law. It could prove a lesson in history for Argentines. For the rest of Latin America, and arguably the world, the trial process has few precedents as an example of a nascent democracy that put its former military rulers in the dock, political risks notwithstanding.

Alfonsin cracks down on striking truckers

By Jimmy Burns in Buenos Aires

A FIVE DAY national truck drivers' strike in Argentina has provoked the Government of President Raul Alfonsin into one of its toughest responses to labour unrest since it took power in December 1983.

The Labour Ministry on Monday night ordered police to confiscate idle lorries and threatened to arrest their drivers after invoking an emergency decree law to guarantee essential supplies.

The move came amid growing public alarm about the scarcity of food and fuel normally delivered by the truckers, increased violence by pickets, and a warning from the national bus service that it might be forced to cease operations.

The strike, which has been called by one of the country's two major independent trucker federations, centres on a list of demands including increased subsidies, higher tariffs and better wages.

The Government has viewed the action as a direct challenge to the drastic austerity plan announced by President Alfonsin in June.

Sr Alfonsin's apparent resolve not to bend to the strikers' demand has been strengthened by the continued success of his package which in August brought monthly inflation down to 3.1 per cent, its lowest level since May 1982.

Washington denies link between weapon test and arms talks

BY PETER MARSH

THE REAGAN Administration is playing down the significance of the U.S.'s imminent first test in space of an anti-satellite weapon. Critics say the event is designed to put pressure on the Soviet Union.

Mr Kenneth Adelman, director of the U.S. arms control and disarmament agency, said the test—which may take place this Friday—is linked neither to the U.S.-Soviet Union arms control talks which restart in Geneva on September 19, nor to the November summit between U.S. President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Mr Adelman said the schedule for the experiment, in which a small homing missile carried by a F-15 fighter will fire at a defunct U.S. military satellite above the Pacific, is dictated by the technical development programme for the device rather than a desire to influence arms discussions.

However, Congressman George Brown, a Californian Democrat who is a leading critic of the U.S.'s increased military activities in space, said the timing of the test was "lousy." He said it would make it harder to reach agreement with the Soviet Union both on arms issues and on space weapons.

The U.S. development of its anti-satellite device is in response to an operating system for destroying satellites which the Soviet Union already possesses.

In the latter, a satellite launched by a large conventional rocket manoeuvres into position beside an enemy space vehicle several hundred kilometres above the earth and explodes. The Soviet Union has tested this system several times against its own satellite but the device is generally reckoned by space experts to be clumsy and to use outdated technology.

The American technique would be much quicker to deploy. It could be launched from virtually any air strip around the world by an F-16 fighter plane modified to carry the anti-satellite package, a two-stage missile together with a homing device that fits into a pod about six metres long and weighs about a ton.

Furthermore, the homing missile, built by the Texas aerospace company Vought, is capable of further development so that it reaches satellites in the geo-stationary orbit 36,000 km above the earth. This is the position of the most important military satellites and is far out of reach of the Soviet anti-satellite weapon.

Under restrictions on the test laid down by Congress, the Defence Department was allowed to make a total of three tests of the weapon until next September. This Friday sees a suitable time for the experiment in which the satellite will be in the right orbit for destruction by the weapon which is to be fired from a jet fighter taking off from the Edwards air force base in California.

Bolivia seeks grace on debt

By Our Foreign Staff

Bolivia has proposed a 15-year grace period in repaying the $892m (£686m) principal of its $3.2bn foreign debt. The proposal has been made by Sr Guillermo Bedregal, the new Planning Minister.

Sr Bedregal has also suggested that banks give Bolivia 10 years' grace on interest payments, and then limit interest payments to 6 per cent. Bolivia has made no payments on its foreign debt since March 1984.

Sr Bedregal made the proposals during a speech to the Bolivian Senate on Monday

Foreign bankers dealing with Bolivia's debt yesterday did not consider Sr Bedregal's proposal unreasonable

Anxiety over Aids virus spreads to New York schools

BY TERRY DODSWORTH IN NEW YORK

THE mounting anxiety over the spread of AIDS in New York has sprung dramatically on to the television screens this week during a furious row over the admission of a child with the usually fatal infection to a city-run school.

At peak viewing hours, television has shown scene after scene of angry parents demonstrating against the Board of Education's decision to allow the child to attend school normally. The parents of 11,000 children in the borough of Queens say they will not allow their children to go to school until the city changes its policy, and two local school boards have sought an injunction to stop the child from attending school.

The conflict has erupted amid signs of growing hysteria in New York as more information has become available on Acquired Immune Deficiency Syndrome, a virus which cripples the body's mechanisms for fighting disease.

The publicity over actor Rock Hudson's visit to Paris in July to try out a French cure for the disease probably did more than anything else to raise consciousness about the problem. But steadily intensifying publicity about the growing incidence of cases in New York, and indications that the city now has the largest concentration of AIDS victims in the country—about one-third of the total—have all added to the

The schools question only began to emerge a few weeks ago, mainly as a result of Press coverage of the problem elsewhere. What hit home particularly were reports from Indiana, where a nine-year-old haemophiliac boy was refused permission to enter the school system because of AIDS contracted from a blood transfusion. Poignant television film showed the boy trying to take classes on a telephone hook up, battling on, but explaining that the system did not work very well.

In New York, it became known that there were seven children carrying AIDS who could be entering the public school system. The figure soon fell to four, as some of the children left the area, but these four who are all said to have caught the virus pre-natally because their mothers took drugs intravenously, had suddenly become a political problem. Local school boards came under pressure to act, and one school district in Queens announced that it would bar any student suspected of AIDS.

In this highly-charged atmosphere, the central educational authority sought to defuse the issue by setting up a special panel to examine medical evidence and rule on the best policy for the New York school system. It came out with a judgment of Solomon at the weekend, saying that three of the children could not attend the schools, but that one of them could. The panel refused to give the name of the child, or the school it would attend, but said that he or she showed every sign of being in good health despite the infection.

The row is all centred on this one child. Parents claim that there is so little known about AIDS that they do not want to risk the infection of their own children.

The panel says that there is no evidence of risk of casual transmission. The medical evidence, it contends, suggests that AIDS is transmitted through intimate sexual contact, principally among male homosexuals, infected blood used in transfusions, or infected needles used by drug addicts.

New York City Mayor Ed Koch, has stood behind the panel, and stated that children with AIDS ought to be allowed to attend school. But officials clearly face an uphill battle in Queens, where many parents say they will keep their children away from school indefinitely,

Even if this problem is overcome, the furore has brought the question of AIDS and its treatment out of the lobby and under the full glare of public scrutiny.

The latest scare has come from the perception that women are increasingly becoming victims of the virus — around 10 per cent of New York's total of 3,953 victims. Some people have begun to talk scarily of epidemics, and there are wide reports of significant changes in sexual habits.

Canada trade surplus hit by fall in exports to U.S.

BY BERNARD SIMON IN ONTARIO

A SHARP drop in exports to the U.S. contributed to a reduction of Canada's trade surplus in July to its lowest level in more than five years.

Statistics Canada said yesterday that the surplus had shrunk to C$148m (£82.2m) in July, from just over C$1bn in June.

Seasonally adjusted exports of C$8.8bn in July were 9.1 per cent lower than those in June. The decline continued a trend which began last April.

July exports were the lowest since February 1984 and 15.4 per cent below last March's peak.

The drop in exports has occurred over a broad front, with especially large falls in shipments of oil, natural gas and coal.

Three quarters of the drop in exports was due to lower sales to the U.S., reflecting slack demand from American industries and consumers as well as the effect of last month's U.S. truckers' strike on shipments of motor vehicle shipments.

Higher imports of aircraft, automotive parts and precious metals offset a decline in oil purchases. The import bill in July of C$8.7bn (seasonally adjusted) was virtually unchanged from the previous month, but Statistics Canada said that the short-term trend remains upward.

WORLD TRADE NEWS

Thyssen-led venture to build Golden Horn bridge

By David Barchard in Ankara

A JOINT venture of Thyssen of West Germany and Sezai Turkes/Fevzi Akkaya Insaat (STFA) of Istanbul has won a $30.7m contract to build a new 470-metre-long bridge across the Golden Horn, the city's busiest thoroughfare.

The bridge will be 42 metres wide and built on steel piles with an 80-metre-long central section, which will open nightly to allow ships to move into and out of the Golden Horn. It replaces a pontoon bridge built by MAN of Nuremberg in 1912 and will take 30 months to complete.

The consortium won the order from the Turkish state highways agency after it was decided to build a steel-pile bridge rather than a pontoon bridge. A Turkish-Japanese consortium had offered a substantially lower bid for a pontoon bridge.

The consortium lowered its price by $200,000 after revising its original plans. Thyssen is understood to be organising the entire financing of the project. So far, a total of $13m from the West German Government and a further $13m from Hermes, the West German export credit agency, has been arranged.

Thyssen is negotiating with a group of European banks for the remainder of the loan. It is understood the loans will carry interest of between 2 and 8 per cent a year, repayable over periods of up to 10 years.

The contract includes the construction of squares at each end of the new bridge at Karakoy and Sirkeci. The bridge carries the bulk of Istanbul's traffic between the old city and the business area of Galata.

Shannon-based group orders Boeing jets

The GPA group, a major a international aircraft leasing company, based at Shannon, Eire, has ordered 12 new-technology Boeing 737-300 twin-engined jet airliners, worth more than $300m, Michael Donne reports.

GPA Group, formerly known as Guiness Peat Aviation, will receive the new aircraft from March, next year, and will lease them to oper ating airlines.

The new jets will use the Franco-U.S. (General Electric-Snecma) CFM-56-3B1 engines, of 20,000 lbs thrust each.

Patrick Blum assesses the success of a dynamic offspring of Austria's state Voest-Alpine group

Intertrading profits from offers difficult to refuse

WHEN THE new Nigerian Government announced last month that it would be reviewing the country's oil barter contracts, shock waves were felt all the way to Linz, the small provincial capital of upper Austria, and home of Voest-Alpine Intertrading, Austria's largest trading house.

The company, a dynamic offspring of Voest-Alpine, the large state-owned industrial and commercial group, had only recently signed a $200m oil barter deal with Nigeria.

Company officials are watching closely for any signs that might suggest the deal is off, but there is no obvious panic in Linz. Intertrading has become one of the world's leading oil traders, with headline-catching deals worth millions of dollars worldwide. Risk is a daily part of their business.

The Nigeria deal is just one of many such arrangements, and not the largest by far. Intertrading's oil business represented about 80 per cent of the company's Sch 107bn (£3.96bn) turnover last year. The company buys oil from the Middle East, Africa and the Soviet Union which it sells mainly, although not exclusively, in Western and Eastern Europe and in the Far East.

Intertrading is considered to be the fifth or sixth largest oil trader in the world, a remarkable achievement for a company that was established only seven years ago with a staff of three traders and a secretary.

The company was originally set up to handle the countertrade commitments of the Voest-Alpine group, but it now outstrips by far the parent company's sales. "We were only an instrument to execute the company's barter deals," a senior official says. These were almost entirely connected to business in Eastern Europe.

Eastern Europe now represents only about 10 per cent of its turnover or 50 per cent of its non-oil business. About 35 per cent of the company's business is countertrade and the remaining 65 per cent is normal trading.

Officials say that there is a growing demand for countertrade and that it is company policy to seek out countertrade wherever there might be opportunities. Senior company representatives constantly travel to Africa, the Middle East, South America and the Far East in search of new business.

"We actively pursue countertrade. We go to countries where we think that there will be a demand for this type of business. We go to the ministries and say: 'We know that you require this or that product and we can offer you a barter deal'," says a senior official.

Other important business besides oil is in food products (about 12 per cent of turnover) and steel products (about 6 per cent). The company trades about 800,000 tonnes of steel a year including some from the parent company, but this is a small proportion. About 80 per cent of all the company's steel business is done outside Austria and traded worldwide.

> ‘We didn't invent barter. If some countries decide to circumvent restrictions by the IMF by trading in this way, why shouldn't we do it? It is not illegal.’

Under the Nigeria deal, Intertrading will buy Nigerian oil worth $200m and sell to Nigeria Austrian capital goods equipment, steel and various building materials. The company has already started lifting 25,000 barrels a day of Nigerian crude and hopes to increase this to 50,000 bd in the near future.

Last year it clinched a Sch 11bn countertrade deal with East Germany, one of three big deals there which have been related to contracting work for Voest-Alpine. Intertrading takes over Voest-Alpine's countertrade obligations, a service for which it receives a pro-rata payment, as in deals with any other company.

Earlier this year the company signed a $2bn (£1.538bn) barter deal with Iran under which it will supply about $1bn worth of food and machinery to Iran in exchange for about $1bn worth of crude oil. The deal runs for one year and has attracted more than 150 European companies eager to offer their ware for exports.

This is the fourth large barter deal with the Iranians, who are reviewing their policy on barter, which could lead to the end of such large deals.

Intertrading's spectacular growth has caused envy and opposition at home from unexpected quarters. In 1981, Austrian textile manufacturers objected to the company selling East German blankets to the Saudi Arabian army on the grounds that this undermined the Austrian textile industry.

The company argues that the bulk of its business by-passes Austria: "Our business in Austria is almost zero, one per thousand of turnover. You can forget our market here."

The risks in oil trading are high. "You are dealing with high volumes over short periods of time with prices changing constantly," one official says. As in all such deals the price for supplies provided in exchange for the oil has to include a margin which makes the transaction worthwhile. So there is always a hidden mark-up in the countertrade, officials admit.

"In most cases, including oil, you lose money when you buy a product. You buy at prices set by governments and sell at market prices which are lower. That means that implicitly you lose 3 per cent or 4 per cent on the purchase deal. But in return you have the opportunity to sell various products and that is where you compensate for your initial losses," says the official.

Opponents of countertrade argue that this is unfair, a criticism rebutted by the company. "We didn't invent barter. If some countries decide to circumvent restrictions imposed by the International Monetary Fund by trading in this way why shouldn't we do it. It is not illegal and it is growing."

Profit margins are tight and vary with each deal and type of product. For normal trading in oil margins vary between 10 cents and 15 cents per barrel. "Maybe 20 cents if you are lucky." Movements in the world markets make the margins on oil barter deals more volatile.

How much the company charges for its services varies considerably depending mostly trading in this way why on the quality and marketability of the products.

When Intertrading makes a deal it has to take into account how much of a product it can take and how rapidly it can be sold. For products of low quality, it can ask for as much as 25 per cent of the transaction value. Poor equipment and machinery from some East European countries, for example, requires a considerable mark up.

Intertrading is modelled on the large Japanese trading houses and officials say it makes comparable profits.

It represents $5m to $10m a year, not much perhaps in proportion to trading volumes but a handsome sum which contrasts sharply with the Voest-Alpine group's million dollar losses in recent years.

Czech hard currency exports fall sharply

By Leslie Colitt in Prague

CZECHOSLOVAKIA'S vital hard currency earnings could be seriously affected if a recent abrupt fall in exports to non-Communist countries continues.

Exports to the non-rouble trade area declined by 7.2 per cent in the first half of this year, compared with the same period of 1984, while imports dropped 5.9 per cent.

The most worrying development, however, was that the slide in Czechoslovak exports was mainly to the developing countries which provide the bulk of Prague's trade surplus. Deliveries to OECD countries, *on the other hand*, rose 1 per cent while purchases from them fell by 4 per cent in the first seven months of this year.

Last year Czechoslovakia earned around $600m from its sales to developing countries, against a surplus of $210m on its trade with OECD members. Prague, however, conducted less than one third of its non-Communist trade with developing nations.

Czechoslovak trade officials denied they were concerned about the half-year drop in exports to non-Communist countries. They pointed out that trade with developing countries was less lucrative than it appeared because of the use of barter and the long-term credits Prague granted. They also noted that exports were normally more "dynamic" in the latter part of the year.

Mr Emilian Vosicy of the Foreign Trade Ministry said he was "realistically optimistic" about export prospects to the West. He added though that the decreasing share of OECD countries in Czechoslovak trade was a problem.

Dutch move against South Africa trade

THE DUTCH Government is to stop issuing new insurance on exports to South Africa because of the financial and economic situation there, the Dutch Credit Insurance company (NCM) said, Reuter reports from Amsterdam. The NCM reinsures risks with the Dutch Government when large sums are involved.

First half 1985 exports to South Africa worth Fl 36.7m (£8.5m) were insured with NCM, against Fl 96m in full year 1984.

UK overseas textile sales at record in first half

BY ANTHONY MORETON

SALES of British textiles and clothing in overseas markets expanded rapidly in the first half of this year to record levels. The rise in sterling earlier this year could, however, damage the industry's prospects according to the British Textile Confederation in its half yearly import surveillance report.

The report shows that textile exports went up by 10 per cent in volume and 21 per cent in value, compared with the same half of 1984, and clothing exports showed rises of 8 per cent and 17 per cent respectively.

Imports, however, were almost static, rising just 1 per cent in volume though there was a 13 per cent jump in value.

As a consequence, the adverse balance of trade was little changed between the two periods. The 1985 figure was only £43m higher at £1.15bn.

Mr Norman Sussman, chairman of the British Clothing Industry Association, said yesterday that "it was heartening" to see exports increasing again. But the textile confederation's report warns that the rise in sterling since the early months of the year could have "serious implications" for the industry during the remainder of the year.

The figures show that Britain's trade is continuing to move steadily towards the industrialised countries. Imports from the EEC went up by 1 per cent in the six months and from other developed countries by 4 per cent, while those from low-cost countries fell back by 2 per cent.

Textile and Clothing Imports, September 1985. From British Textile Confederation, 24 Buckingham GFate, SW1, £25.

Moscow may buy French micro-computer

THE Soviet Union appears to be interested in acquiring French micro-computers and software systems for educational purposes similar to the systems being installed in French schools, Our Paris Staff writes.

Mr Mikhail Gorbachev, the Soviet leader, is due to visit France next month when he could also visit the micro-computer manufacturing facility of the French nationalised Thomson electronics group at Angers.

Thomson declined to comment yesterday on reports of Mr Gorbachev's possible visit and on eventual negotiations for the sale of Thomson's T07 and M05 micro-computers.

Thomson is currently supplying—with the other French nationalised electronics group Bull—the bulk of micro-computers for the French school system.

‘Resist protectionism’ appeal

MR POUL SCHLÜTER, Denmark's Prime Minister, appealed to President Ronald Reagan yesterday to resist protectionist fever spreading through Congress, and the President reaffirmed his commitment to free trade, AP reports from Washington.

"At a time when our countries are enjoying improving economic conditions, protectionism looms as a threat," Mr Reagan acknowledged at a ceremony in Washington. "Working together, we can see to it that our international markets stay open."

Mr Schlüter, beginning two days of talks with Administration and congressional officials, urged Mr Reagan to stick to his reputation as a free trader. "Protectionism is indeed, as you have said, destructionism," he declared.

Mr Reagan said he looked forward to discussing with Mr Schlüter "the need to strengthen and broaden the international trading system," perhaps through a new round of trade talks.

"We all have one major goal in common: survival," Mr Schlüter said.

NAPC will seek arbitration

NAPC, the international petroleum consortium contesting a Greek Government ban on new oil exploration in the northern Aegean Sea, will try to speed up the resolution of the dispute through arbitration, reports Andriana Ierodiaconou in Athens. That follows a ruling of no competency to judge the case by an Athens court of first instance, according to the company's lawyers.

The NAPC is a big foreign investor in Greece, producing oil and gas from offshore deposits in the northern Aegean since 1981, under a 1975 licensing agreement with the Greek state.

The company went to court in August against a government ban on the drilling of a new exploratory well in the concessional area defined by the agreement. The Government is arguing *force majeure*, invoking an unresolved continental shelf dispute in the Aegean with Turkey.

The NAPC's lawyers, Kyriakides & Associates, said last Thursday's Athens court ruling was not the last word on the subject because cases were also pending in two courts in the northern Greek port of Kavalla. They added that that might result in a delay of several years in settling the dispute.

The company now intends to seek arbitration under the terms of the 1975 licensing agreement.

RESOURCES REVIEW

Why France's Cogema faces some key decisions

By David Marsh in Paris

COGEMA, the French state nuclear fuels company, is on the verge of a series of decisions likely to have a key influence on the international nuclear business over the coming decade.

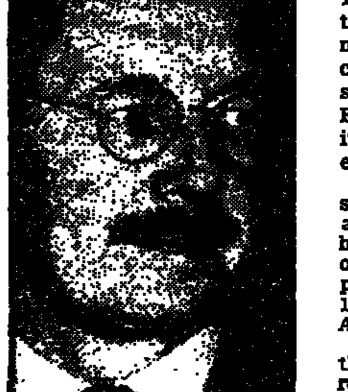
The company, the world's leader in supplying to electricity utilities services across the whole of the nuclear fuel cycle, counts among its clients 115 of the 270 N-plants currently in service in the West.

It is now adapting its strategies in uranium mining, reprocessing, fuel fabrication and enrichment to changing demands caused by the worldwide slowdown in ordering of nuclear plants and, above all, severe delays in bringing into service plutonium-burning fast breeder reactors.

M Francois de Wissocq, the 51-year-old chairman is a former Industry Ministry official who took over the Cogema reins in 1982 from M Georges Besse (now the chairman of Renault). With characteristic understatement, M de Wissocq says of the company's increasingly aggressive commercial activities: "Since 1983 we have made a big effort to make ourselves known around the world."

The company has been making an all-out effort, rewarded with some initial success, to wrest from the U.S. Department of Energy uranium enrichment business with American utilities in order to boost capacity use at the French-led Eurodif enrichment plant at Tricastin on the Rhone.

Cogema has also been attempting, with less success so far, to sign fresh short-term reprocessing contracts to fill capacity gaps which have opened at its complex at La Hague on the Normandy coast. Currently the world's only commercial reprocessing plant for fuel from light water reactors (LWRs). La Hague now has an operating capacity of 400 tonnes a year, compared with the 250 tonnes thought possible only a short time ago.



Francois de Wissocq

With technical problems which have held up Cogema's 10-year effort to switch to LWR fuel reprocessing at La Hague (and which have sharply raised reprocessing costs) now more or less behind it, Cogema is on the point of embarking on new technological adventures (See panel).

It has served notice of a forthcoming competitive struggle with the U.S. to master laser enrichment of uranium. The process, taking over from the gaseous diffusion techniques pioneered by the Americans during World War II, and subsequently used by the French in Eurodif, could make its commercial debut at the end of the next decade.

Cogema will also be harnessing the latest technology in the all-important area of remote handling systems in the mixed oxide (MOX) fuel fabrication plant it hopes to start up in 1993/94 at Marcoule near Avignon in southern France.

The facility—to be built on the site of Cogema's existing reprocessing complex for France's earlier natural uranium, gas-cooled, graphite-moderated M-plant—will have a capacity of about 100 to 110 tonnes of MOX fuel, in which uranium is mixed with 3 to 6 per cent plutonium. The aim is to allow Electricité de France as well as foreign utilities to recycle in thermal reactors plutonium separated through reprocessing which will not be needed to fuel fast breeders at least until the first decade of the 21st century.

A further technological challenge will be the task during the 1990s of mining extremely rich uranium deposits recently confirmed at Cigar Lake in Saskatchewan, Canada. Cogema is operator for the deposit and has a 36.4 per cent stake (the rest is held by Canadian and Japanese partners). The deposit contains an estimated 150,000 tonnes of uranium—of which about 70 per cent is present at an exceptionally high mineral content of 12 per cent.

Somewhat closer on the horizon, the company is also gearing up to rival British Nuclear Fuels in a plan to build Europe's first full-scale complex to reprocess fuel from fast-breeder reactors. A project to build the facility at Marcoule, in competition with the recently - announced £200m scheme to site a complex at Dounreay in Caithness, Scotland, will be put next year before the European utilties which will be financing the plant.

Cogema's group turnover (FFr 17bn last year, on which the parent company made a net profit of FFr 154m) is spread across a range of activities which symbolise France's hard-won success over 30 years in building up its nuclear infrastructure. An atomic energy laggard during the 1950s, France has now caught up with, and in some fields overtaken, the U.S. and Britain in key aspects of the fuel cycle.

Cogema's trading activities include the handling of part of France's (now declining) South African uranium imports as well as contracts to send uranium to the Soviet Union for enrichment. In the light of substantial unused capacity at Eurodif, the contracts with Moscow have been renegotiated to spread them out in coming years. The fairly regular pace of shipment of French uranium to the Soviet Union became apparent in August 1984 with the sinking off the Belgian coast of the ill-fated Mont Louis vessel carrying canisters of French uranium hexafluoride (including some issuing from the La Hague reprocessing plant) destined for the Baltic port of Riga.

Mindful of its extremely important export business (making up 40 per cent of turnover, and making the company France's biggest exporter to Japan), M de Wissocq minimises Cogema's relatively small but important military activities. "The military role is historical. We are a civil company," he says.

Cogema carries out at its Marcoule reprocessing plant production of weapons-grade plutonium from France's military reactors. It says, however, that it makes a strict division between the civil and military use of the Marcoule plant, with plutonium separated from EdF and military reactors in distinct "campaigns." Cogema also runs France's military enrichment plant at Pierrelatte which produces highly enriched uranium for H-bombs and submarine reactors. And it has a hand in producing tritium for nuclear explosives from reactors at Marcoule.

One of Cogema's top managers on the reprocessing side underlines the arms-length relationship the company has with the military: "They just ask us for so much (plutonium and tritium). They don't let us into their strategy."

M Besse—who was one of leading figures behind the building of Pierrelatte—says, however, that the civilian nuclear industry in France, like those in the U.S. and Britain, owes a great deal to military development. "In the nuclear cycle, Cogema produces materials for both the civil and military sides. The engineering is the same, and the teams for civil and military plants—for instance La Hague and Marcoule, Tricastin and Pierrelatte—are supplied from the same group of people. The lack of clear separation between the two cycles has contributed to lowering costs and generally gaining time."

IN Uranium mining, which makes up 31 per cent of turnover, Cogema reckons it accounts for 20 per cent of the non-Communist world's production capacity. With eight prospecting projects in hand in Africa, North and South America and Australia, Cogema believes it is the only uranium company to have roughly maintained exploration efforts in the last few years at a time when its main competitors have been slashing spending because of the falling uranium price.

Time will tell whether the effort will be rewarded. M. de Wissocq calls Cigar Lake—the world's biggest high-content uranium deposit—"Cogema's mine for the 1990s." On the key question of whether it could depress prices, he believes the deposit, equivalent to about four years of world uranium consumption, will be coming on to the market at a time when world reserves will again start to look thinner compared with demand. "The world is going to need uranium from a lot of other mines. Cigar Lake by itself will not upset the future of uranium."

Uranium enrichment, making up 43 per cent of turnover, currently looks the brightest star in the Cogema firmament. FFr 5bn in new orders were signed last year with the rate maintained, M. de Wissocq says, in the first few months of 1985. Breakthroughs in the U.S.—where the Department of Energy is now allowing utilities some margin to choose foreign enrichment suppliers — have brought to 10 the number of its American utility clients (for natural uranium and enrichment).

Starting last year with its first enriched uranium shipment to a U.S. client, Cogema now believes it has about 5 per cent of the U.S. enrichment market for deliveries over the next decade or so. Success has been to a large extent a consequence of Cogema's enrichment price of about $100 per separative work unit compared with the DoE's official price of $135.

On the question of laser enrichment, Cogema this summer has come out in favour of using the so-called Silva process, under which vaporised uranium-235 atoms are ionised selectively through laser radiation, as the basis for a future commercial plant. The U.S.—which is thought to have a technological lead over France of perhaps five years in this field—has made a similar decision in favour of Silva.

Laser enrichment, according to both Cogema and EdF, should greatly increase the usefulness by the beginning of the next century of the uranium separated from reprocessing. Reprocessed uranium (making up about 97 per cent of the separated output from spent LWS fuel: 1 per cent is plutonium and 3 per cent radioactive waste) contains a slightly higher proportion of fissile U-235 than natural uranium. But its ability to be recycled in N-plants is complicated not only by its radioactivity but also by the presence of the neutron absorbing U-236 istope.

To find a use for the plutonium that will be coming out of La Hague in increasing quantities during the 1990s for EdF and foreign utility clients, Cogema — in the absence of early plans for commercial introduction of fast breeders — is pressing ahead with plans to extend MOX fuel fabrication capacity. Current capacity at the Dessel plant of Belgonucleaire (with which Cogema agreed to team up last year to make MOX assemblies) will be enlarged to about 30-35 tonnes a year by 1988-89 (enough to supply four reactors). The planned Melox plant at Marcoule will be able to service 10 to 12 reactors (both EdF and utilities from countries like West Germany, Japan and Switzerland) when it starts up in about eight years.

Substitution of plutonium for a small part of the enriched uranium which would otherwise be used in thermal reactors in the 1990s could theoretically eat into Cogema's enrichment business. One of the reasons why Cogema is currently keen to persuade West German utilities to bring forward reprocessing contracts at La Hague, releasing plutonium for MOX fuel, is because this would not harm Eurodif. The Germans are mainly dependent on the DoE for enrichment, so any drop in demand for enriched uranium would be felt by the Americans rather than the French.

UK NEWS

BT union votes against striking

MEMBERS OF the National Communications Union, the largest union in British Telecom (BT), have become the latest group of workers to vote in a secret ballot against a recommendation by their union executive to take industrial action.

The key engineering group of the union voted by 43,230 to 41,551 against any action in a 74 per cent turnout. The clerical group voted narrowly for action, but is unlikely to go ahead without support from the larger and more powerful engineering group.

Mr Bryan Stanley, the union's general secretary, said: "We are naturally very disappointed and will be going back to management to negotiate."

□ TWO LEADING composite insurance companies, General Accident Group and Sun Alliance Group, which are leading motor insurers in the UK, have announced increases in their UK motor premiums from the beginning of next month.

GA is increasing its rates by 8.2 per cent for comprehensive policies and 4 per cent for non-comprehensive contracts.

Sun Alliance, which has kept its motor rates unchanged for more than two years, is increasing its rates by around 15 per cent from October 1.

The UK motor insurance industry has been adversely affected by a rise in numbers of claims.

□ BRITANNIA PARK near Ilkeston, Derbyshire, one of a new generation of theme parks, has called in the receiver less than three months after it opened.

The multi-million pound park, which cost £18m in its first phase, is owned by Bournemouth-based company KLF (UK), which has also gone into receivership. The project was backed by Samuel Montagu, the merchant bank.

□ THE DEPARTMENT of Trade and Industry has asked securities firms in the City of London, the Bank of England and the London Stock Exchange whether new legislation should include provisions to stop overseas firms whose own markets are restrictive from gaining access to the British financial services community.

□ PROSPECTS for an improvement in unemployment in the second half of the present parliament were better than in the first half, Mr Nigel Lawson, Chancellor of the Exchequer, said. He based his optimism on the growth of new businesses and the slowdown in expansion of the labour force.

□ BRITAIN might become the world's "premier centre of deepwater offshore technology, Mr Alick Buchanan-Smith, Oil Minister, told a conference in Aberdeen. He said companies operating in the North Sea were now spending £140m on offshore research and development.

□ SALES OF domestic and commercial installation products in the UK rose 9.7 per cent to £250m in the year to the end of March, the Electrical Installation Equipment Manufacturers' Association, said in its annual report.

□ THE GOVERNMENT is to appoint a director of procurement and distribution for the £2bn annual supplies to the National Health Service. One of the tasks of the director will be to seek economies in purchasing.

□ PRELIMINARY talks about a rescue of the Lear Fan carbon-fibre aircraft venture are under way with business interests understood to be based in New Zealand.

□ MR GEOFFREY PATTIE, Minister for Information Technology, is to take over responsibility for the film industry.

□ FIRE LOSSES continued high in July, amounting to £38.7m, according to the Association of British Insurers.

Coal board reprieves pit at centre of NUM strike

BY MAURICE SAMUELSON

POLMAISE colliery in Scotland, one of the threatened pits at the centre of the year-long miners' strike, yesterday received a surprise reprieve when the National Coal Board (NCB) announced it would be kept open at a cost of £18m.

Mr John Loudun, the new director of the NCB's Scottish area, gave the news to unions while visiting Polmaise colliery, Stirlingshire. Its closure was originally announced by the NCR at the beginning of last year.

Mr James McCormack, National Union of Mineworkers (NUM) treasurer at Polmaise, said after Mr Loudun's visit: "I was prepared for a fight today. I didn't expect this." He called the decision "a big relief and a big surprise."

The scheme will involve driving a 10-mile tunnel linking Polmaise with the new Castlebridge colliery in the Longannet complex. The workforce of 250 will be cut to 110, but the NCB says miners who do not wish to be involved in the new project will be offered transfers or voluntary redundancy. There would be no forced redundancies.

Polmaise, where no coal has been produced for the past four years, is one of the five pits the uncertain future of which was a central issue in the strike, which ended last March. The others were Cortonwood in South Yorkshire, Herrington in the north east, Bullcliffe Wood in the Barnsley area, and Snowdown in Kent.

The Polmaise men went on strike in February last year after Mr Albert Wheeler, the NCB's former Scottish director, said geological faults and lack of demand had made their pit uneconomic. His successor, Mr Loudun, said the decision to keep the pit open as a satellite of the Longarnet complex followed a review of the Scottish coalfield and the loss of other capacity during the strike, particularly the Bogside pit.

● Mr Michael Eaton, former chief spokesman for the board during the strike, who resigned following deep differences with Mr Ian MacGregor, the NCB chairman and Mr James Cowan, the deputy chairman, was taken to hospital yesterday suffering from a perforated ulcer.

Brokers' market share shows wide swings of fortune

BY BARRY RILEY

SHARP SWINGS of fortune between London stockbroking firms in the gilt-edged market and in trading in foreign equities are revealed in a confidential survey of institutional investment patterns. However, in the UK equity market the big brokerage houses are maintaining more stable shares of the available business.

Those new estimates of the performances of the various firms ahead of next year's "Big Bang" revolution in the stock market's structure emerge from a survey conducted by City Research Associates for leading broking firms.

A copy of the survey, which was distributed to client firms last week, has been obtained by the Financial Times. There have been several previous surveys in the series – the most recent in 1983 – making it possible to track movements in the firms' market shares over time.

According to the survey, James Capel has edged ahead of Hoare Govett and Grieveson Grant to become the top institutional brokerage business. That overall position is based on the firm's combined commission from dealing in UK equities, foreign equities and gilt-edged for UK institutional clients.

TOP LONDON BROKING FIRMS

Market shares of overall commission income from UK institutional clients. UK equities, foreign equities and gilt-edged

	%
James Capel	6
Hoare Govett	6
Rowe & Pitman	5
Scrimgeour, Kemp-Gee	5
Phillips & Drew	4
Wood Mackenzie	4
Grieveson Grant	4
Cazenove	4
Greenwell	4
De Zoete & Bevan	4

FOREIGN BROKERS IN LONDON

Estimated market shares of foreign equity commissions

	%
Merrill Lynch	5
Nikko Securities	5
Goldman Sachs	4
Brown Bros Harriman	3
Okasan International	3
Kidder Peabody	3
A. G. Becker	3
Dean Witter Reynolds	3
Paine Webber	3
Salomon Bros	3

The gilt-edged list shows W. Greenwell as clear leader with a 10 per cent share of institutional commissions, the same as in 1983. But dramatic setbacks have apparently been suffered since then by Grieveson Grant and Mullens, which also enjoyed 10 per cent shares at that time.

Grieveson has fallen to 11th place with only 4 per cent of the market, and Mullens has lost four points of market share. On the other hand, Buckmaster & Moore has climbed from nowhere to seventh place, and James Capel has raised its market share by 5 percentage points.

However, market sources expressed doubt about the figures yesterday, particularly because Capel's figure was so high and Grieveson's so low. "The directions might be right, but I find the magnitudes of the changes astonishing," said one broker.

In foreign equities, an area of considerable development in London in the past couple of years, Rowe & Pitman has emerged as a clear leader and has swept aside Vickers da Costa. Another firm to have done well is Hoare Govett. This is a more concentrated sector, and the top five UK firms take 75 per cent of the business.

They face intense competition, however, from many foreign brokers. These are much more evenly balanced.

British Midland seeks Amsterdam route

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Midland Airways (BMA), the independent airline, is asking the Civil Aviation Authority for rights to fly between London Heathrow and Amsterdam, in competition with British Airways and KLM, the Dutch airline.

The fares BMA intends to charge have not yet been disclosed, but Mr Michael Bishop, chairman, said yesterday they would be cheaper than those currently charged, and would be available for a wider range of passengers than current rates.

The cheapest fare offered by BA and KLM is £49 return, but Mr Bishop said that offer was hedged round with so many restrictions that few passengers could take advantage of it, and were obliged to pay higher rates.

He indicated that BMA would avoid that situation, "but we are not giving the game away yet," he added. "We will keep our competitors guessing for awhile."

Mr Bishop said BMA was able to apply for the London-Amsterdam route for two reasons. One was the new Anglo-Dutch air agreement under which an airline needs only to get approval from its own licensing authority. The other country automatically accepts the decision.

The other reason was that in the UK Government's recent White Paper (policy document) on Airports Policy, there was a clause permitting BMA to resume international services to the Continent from Heathrow.

It had operated such services some years ago, but discontinued them for lack of traffic. Until the White Paper, the Government had permitted no resumption.

Earlier this year, BMA applied for rights to fly from Heathrow to Strasbourg, Rotterdam and West Berlin, and is awaiting a response.

● British Air Ferries has sold two of its fleet of 19 Viscount turboprop aircraft to Lineas Aéreas Canarias of the Spanish Canary Islands, for £3m.

BAF itself is the world's largest operator of Viscounts.

Short-gilt contract launched

By Maggie Urry

THE LONDON International Financial Futures Exchange (Liffe) started trading its short-gilt contract yesterday, bringing to 12 the number of contracts the exchange offers.

Sir Peter Middleton, Permanent Secretary to the Treasury, rang the bell to open trading at 9.45am. By the close at 4.20pm 1,581 contracts had changed hands, more than Liffe chairman Mr Brian Williamson had expected.

The contract is based on a notional gilt-edged stock with a 10 per cent coupon. Each contract is worth £100,000, making a total value of £15.8bn for the first day's business. Trading was boosted by the announcement on money supply figures for August during the afternoon.

Mr Williamson said yesterday: "Liffe now provides comprehensive cover of the sterling yield curve from money market rates through to long-dated yields.

"This not only has immediate applications but will also play a major role in the new gilts primary dealer system which will be introduced in 1986."

No more gilt futures contracts are likely to be introduced for some time, but Mr Williamson believes Liffe's next new contract could be an option on the exchange's existing gilt contract.

The short-gilt contract – for which a gilt with three to 4½ years to run to maturity will be deliverable – can also be used for hedging medium-dated gilt positions.

Wedgwood to boost output

Financial Times Reporter

JOSIAH WEDGWOOD is expanding plans to enlarge its hotelware factory in North Staffordshire because of rising demand for bone china.

The company announced earlier this year that it would spend £3m on a new plant at its Longton site and increase the workforce of 300 by 100.

It said this week that it was stepping up investment by a further £2m and increasing the workforce by another 50 people.

The new facility will allow the company, now the world's biggest producer of bone china for hotels, restaurants and airlines, to treble output within the next 15 months. It is due to come onstream in spring next year.

Williams calls for radical approach

By Our Political Editor

THE SDP is "more generous and more radical in tackling poverty and unemployment than the Labour Party," Mrs Shirley Williams, the Social Democrat president, claimed in her presidential address.

Mrs William s speech highlighted her concern that the SPD needs to present a radical approach.

The tone of her address matched some of her comments during the conference that Dr David Owen, the party leader, might have placed too much emphasis on market forces and social policies might have been given insufficient attention.

Mrs Williams said: "our policies on social security, taxation, health and education involve a substantial new redistribution of resources.

"We stand up to be counted on the unpopular issues: the need for income restraint, for choosing priorities in public expenditure, for removing perks and tax concessions from the well-off."

She added: "We recognise that the market is an excellent distributor of goods and services, but one that can work unjustly where consumers are weak and vulnerable; hence our commitment to the National Health Service and the public education system."

Mrs Williams made plain her reservations about the use by Dr Owen of the term "social market economy." She confessed that she had never been quite sure what the term meant – although Dr Owen had taken time off to explain it to her.

In a reference back to the morning's debate on Alliance strategy, Mrs Williams said she sympathised with the motion that referred to Labour's traditional values. But she said that the Labour Party had fallen short of its own traditional values and those values themselves had been changed out of all recognition.

She denied that the SDP was anti-trade union but it was against union feudalism and it wanted to see unions respond to their members.

Mrs Williams said that the new unionism, involving paticipation by workpeople, long-term agreements, and the sweeping away of distinctions was a long step towards the industrial partnership and co-operation in which Social Democrats believed.

Social Democratic Party conference

Party activists back leadership over nuclear defence strategy

BY PETER RIDDELL, POLITICAL EDITOR, IN TORQUAY

DR DAVID OWEN, the Social Democrat leader, won the overwhelming backing of party activists at the SDP annual conference for his views on party strategy and defence.

An important conciliatory gesture was made towards the Liberal Party over nuclear defence policy, the most divisive issue within the Alliance.

Dr Owen will make his closing speech today covering a full range of policies, knowing that the conference is strongly behind his approach despite the reservations on some aspects by two senior SDP figures, Mrs Shirley Williams and Mr Roy Jenkins.

On a day overshadowed by the Birmingham riots, the conference endorsed the leadership's defence policy, including the maintenance of a British nuclear capability, as a contribution to European defence with a willingness to replace Polaris missiles while cancelling the Trident programme.

Amendments calling for insistence on the cancellation of Trident in a hung parliament and opposition to further deployment of cruise missiles were defeated.

An amendment to official policy, urging a negotiated freeze of nuclear weapons if current arms talks fail, was carried overwhelmingly after Mr John Cartwright, the party's chief whip (parliamentary manager), said he would be "quite happy" if it passed.

> **Social Democrats called on the Government to appoint a judicial public inquiry into the causes of the rioting in the Handsworth area of Birmingham.**
>
> **Whie suspending judgment on the events of the past 24 hours, two speakers in a short emergency debate accused some policemen of subjecting young unemployed blacks to racist abuse and physical violence.**
>
> **Mrs Shirley Williams, the SDP president condemned the rioting. She emphasised: "We as a party would want to make it plain that we can in no way condone a slide towards such behaviour, whatever the strength of political feelings may be."**
>
> **Mrs Williams suggested that the despair felt in inner city areas as a result of government policies was a factor that could not be overlooked.**

There is almost no difference of substance between the original wording and the amendment. (One talks of exploring the idea of a freeze, the other of pressing for one.) But the issue is of considerably symbolic importance, since its proposer, Mr Tom McNally, the former SDP MP, raised the political stakes by saying that the amendment would be a sign to the Liberals of concern on disarmament.

Similarly, Mr Alan Watson, the Liberal president, who is attending the conference, said the decision represented "a significant step towards arriving at a single and united defence policy for the Alliance."

He and senior Liberals will use the vote to defuse any argument on defence at next week's Liberal annual assembly.

The biggest shift in policy, however, has come from Mr Paddy Ashdown, the Liberal MP and previous leader of the anti-cruise forces in the party. On Monday he said it would be wrong to urge the return of cruise to the U.S. as long as the Geneva talks continued.

Dr Owen said yesterday that a freeze was very much a second-best to deep cuts, but welcomed the fact that people such as Mr Ashdown had moved their positions. The SDP leader said that the Liberals were still not yet alongside his party on all aspects of defence.

The main question now is whether Liberal unilateralists will go along with Mr Ashdown's move

Mr Neville Pressley, a leading SDP unilateralist, said yesterday's decisions would worry the Liberals and would raise questions about whether Dr Owen would accept Trident if he were in a coalition after the next general election.

Delegates shun political labels

BY IVOR OWEN

SOCIAL DEMOCRATS closed ranks at their conference by refusing to label themselves as being "on the centre left" of the political spectrum.

Confessions of "middle-class guilt" and agonising over the electoral perils of highlighting the implications of earlier political allegiances – whether with Labour or the Conservatives – led to a unanimous decision to let voters reach their own conclusions about the party's posture and purpose.

It was a result that clearly delighted Dr David Owen, the SDP leader, marking as it did the repudiation of suggestions that the party had become too right-wing under his leadership.

Dr Owen – a former Labour Foreign Secretary – nodded in agreement when Mrs Janet Nightingale, a delegate, urged SDP members not to describe themselves as "ex-anything."

She emphasised that the party's main purpose should be to persuade the "haves" to co-operate willingly in a redistribution of wealth in favour of the "have-nots," with the aim of creating a more united Britain.

Mr Ben Stoneham cleared the way for the display of unity by agreeing to accept an amendment that removed a reference to the party's original objective to become identified with the "centre left" of politics.

The motion, from the Stevenage area party, recalled that it was from that position that the party aimed to become "the eventual main challenger to the Conservatives, taking over many of the traditional values (and voters) of the Labour Party."

Mr Stoneham, who strongly denied that the motion was an attack on Dr Owen, said it was an attempt to meet the wishes of electors who wanted to known where the SDP stood.

While the reluctance of party members to be "labelled" was understandable, the fact had to be faced that the electorate saw politics in such terms.

Mr Stoneham was applauded when he urged: "Be bold and say loud and clear we are a left-of-centre radical party."

UK NEWS

Lords warn of threat to EEC farm policy

BY JOHN HUNT

THE HOUSE of Lords European Communities Committee gives a warning in a report published today that unless there is rapid and sweeping reform of the EEC common agricultural policy (CAP) it might soon break down and jeopardise the existence of the whole community.

The committee says the best option is a tough and restrictive policy to hold down price increases of agricultural products that are in surplus.

That should be coupled with a policy of direct financial assistance to farmers who are squeezed out of business during the transition period.

The all-party commitee, chaired by Lord Plowden, who is also chairman of the top salaries review body, says the trend away from farming will continue and there is justification for speeding up change.

"European agriculture must adapt in order to survive," it states.

"The CAP is at a crossroads. Left unreformed, it could break down. If this were to happen, the committee fear that the existence of the EEC itself would be put in jeopardy."

The report emphasises that the chief obstacle to reform is lack of political will. It urges European finance ministers and heads of state to endorse a reorientated farm policy.

It wants the European Commission to endorse a policy of restrictive pricing as the central element in the CAP.

"Without such a declaration, the commission's present initiative, like earlier attempts at reform, will fail," it predicts.

The committee rejects the notion that problems of high farm prices and overproduction can be solved by a policy of quotas. Such a system would, it believes, freeze the existing pattern of EEC agriculture while greater flexibility is needed.

"The CAP must change now," it says. "It must move towards restrictive pricing and realistic thresholds for all products which are in heavy surplus and must also make provision for supporting farm incomes in cases where serious economic and social problems would otherwise occur.

"Consistently applied price restraints will reduce the overall level of output in the community and raise standards of efficiency, although it will take time to have effect."

The committee says direct income support should be paid by member states to held displaced farmers in accordance with an overall policy subject to specific community approval. That would help to avoid unfair competition developing through national aid.

It also proposes a new round of Gatt talks to overcome the mistrust between the community and the U.S. over farm support.

Reform of the Common Agricultural Policy. 17th Report of the House of Lords European committee, HL237, Price £8.60 from HMSO.

Austin Rover improves German sales prospects with new range

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN FRANKFURT

AUSTIN ROVER, BL's subsidiary, has dramatically improved its prospects in the West German car market by announcing a range of models which qualify for the German Government's incentives for vehicles with low exhaust emissions.

The UK company has achieved this breakthrough without using catalytic converters, which are expensive, reduce a car's performance and use more fuel.

So far, Austin Rover has hardly dented the German market – the biggest in Europe – with the new cars, which have been developed with the help of £1.2bn of UK government cash. Uncertainties about its ability to meet the emission standards introduced in Germany in July have held back recent attempts to put this right.

Mr Peter Johnson, director of export sales, predicted yesterday, during the run-up to the Frankfurt motor show, that his company would now be able to strengthen its German dealer network considerably. He expected to sign up several high-quality dealers in the next six months.

Austin Rover can now look for steady growth in West Germany from 7,000-8,000 cars this year to 9,000-10,000 in 1986. In the medium term, it is hoping for steady and gradual improvement to 1 per cent of the 2.5m cars a year market. Last year the company sold 7,007 cars in Germany for a 0.3 per cent share.

Mr Johnson pointed out that Austin Rover now had a car in every category to meet the low exhaust emissions encouraged by the German Government. It had achieved that position without having to deflect its resources from development of lean-burn engine technology, which was less expensive and more fuel-efficient than catalysts.

The range which Austin Rover is offering in Germany includes versions of the Mini, Maestro, Montego and Rover 213, which have satisfied the authorities' stringent emission tests.

The Mini and the Rover achieve the lowest pollution levels and attract the highest levels of tax concession – worth about DM 1,500 (£390) to the car-buyer.

Mr Johnson said the news had been well-received by the Massa group, which had spent DM 20m to establish Austin Rover dealerships at more than 20 of its hypermarket sites around Germany and on which the UK company is relying heavily for growth.

Austin Rover also caused surprise at Frankfurt by unexpectedly unveiling a two-seater, mid-engined, four-wheel-drive concept car called MG EX-E. It says some of the technology involved will be incorporated in future standard production models.

The concept car has a V6 24-valve, four-overhead camshaft all-aluminium engine and four-wheel-drive transmission from Austin Rover's MG Metro 6R4 rally car. Fighter aircraft influence is shown in the design of the coated polymer canopy, which incorporates a lift-off top.

Vehicle rental boom set to continue

BY JOHN GRIFFITHS

THE SHORT-TERM car and van rental market will be worth £370m this year, having increased in value by 70 per cent during the past three years, according to a study from Budget Rent A Car.

The study, which draws on research from Mintel and the British Market Research Bureau, forecasts continuing buoyant conditions for the rental industry in the UK but says a growing proportion of total business will be taken by the six largest operators: Godfrey Davis Europcar; Hertz; Avis; Swan National; Budget; and Kennings.

It bases that conclusion on a survey of 1,024 users indicating that price is no longer the main preoccupation of car renters. Some 61 per cent of business users and 41 per cent of those hiring for leisure gave priority to convenience of pick-up point in their choice of rental companies, a factor weighing heavily in favour of the national companies.

It concludes that 60 per cent of the total car and van rental market, worth £204m, is accounted for by business users, a factor in the business-sector growth being the abandonment by many companies of "pool" car fleets.

The value of van rentals is forecast to reach £80m this year, from £70m in 1984 and £65m a year earlier. Price is seen as playing a much more important role in that sector, and the 16 per cent increase in business during the past three years is attributed mainly to heightened activity in the housing market and private van rental for removals.

The value of total car-hire business is expected to reach £290m, up £20m on last year.

The study estimates that 6 per cent of all new cars are now bought by the short-term rental companies, with a total rental fleet standing at 100,000 cars and 25,000 vans.

The study shows Godfrey Davis Europcar as market leader with 11 per cent, Avis 9 per cent, Budget 7 per cent and Hertz and Swan National each with 6 per cent.

Worldwide, it estimates total short-term vehicle rental business to be worth £8bn annually, about half attributable to the U.S.

● An £8.5m order to supply National Bus Company with 96 buses and coaches has been won by Metro Cammell Weymann, of Birmingham.

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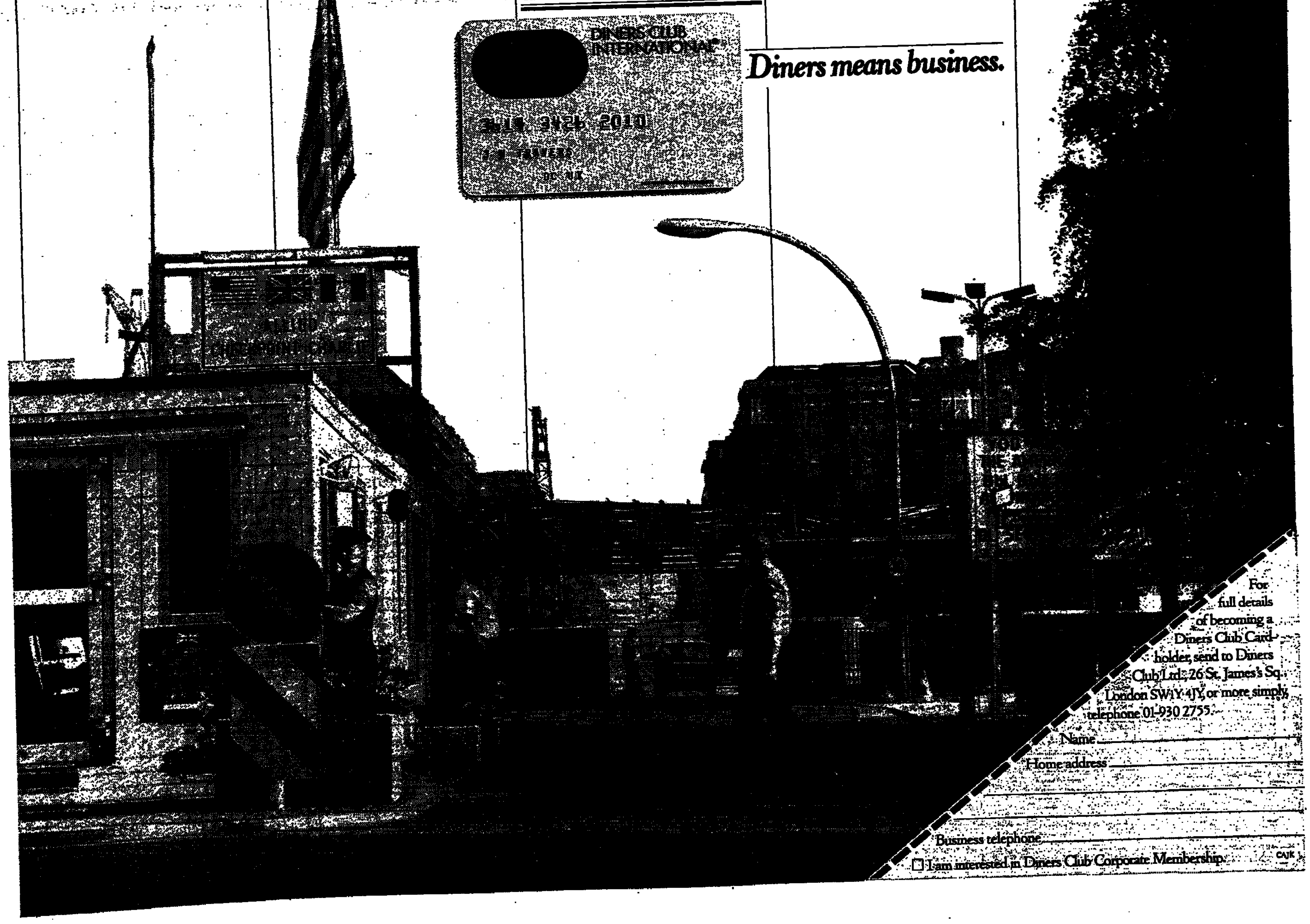


TECHNOLOGY

EDITED BY ALAN CANE

Nimble robots make fewer assembly errors

PA Technology's Richard Archer (right) and Andrew Fry, who led the design team, with the robot assembly unit.

Putting awkwardly-shaped components into printed circuit boards is a job best done by robots, PA Technology tells Geoffrey Charlish

PA TECHNOLOGY, the UK consultancy and high technology development company, based in Royston, Herts, is creating new systems for using robots to assemble components in printed circuit boards.

Mr Richard Archer, technical manager of PA's mechanical engineering group, sees two areas of application. One is in the assembly of components which, due to their unusual shape and size, cannot be assembled by high speed insertion machinery designed for standard resistors, capacitors and chips.

Such items include connectors, transformers and switches and they account for about 20 per cent of the components in mass-produced consumer and telecommunications boards.

The other application is in low-volume, high-quality boards carrying specialised parts—in defence and aerospace, for example—where manual assembly of the whole board is still the norm.

Some companies have already taken the plunge, says Archer. Black and Decker has spent about £2m in its U.S. plant on nine robots which assemble 29 components into a board, 21 hours a day. Throughput is about 200,000 boards a month.

IBM assembles up to 100 components a board in this way at its Bordeaux plant using 12 robots, each capable of handling 25 types of board. About 50,000 boards a month are believed to be involved.

Toshiba processes 2,000 boards a day in 15 variants, using 11 robots and in the UK, Mars Electronics, ICL (Kidsgrove), Plessey and Thorn-EMI use robots for component assembly.

But such companies are still relatively rare, says Mr Archer. For reasons of client confidentiality he may not disclose which, if any, PA Technology has worked for.

He is convinced, however, that too many production managers still believe the best solution is to use nimble-fingered workers to tackle components the big assembly machines cannot handle.

The facts say otherwise. Acording to PA, the 20 per cent manual insertion of odd shaped or sized components produces 80 per cent of the faults on batches of typical boards. Since there can be many hundreds of components on the board, producing a good percentage of boards that pass test calls for unattainably low error rates.

Robots, on the other hand, can work 24 hours a day at low error rates and in sympathy with the insertion machinery — indeed, the two can be linked.

A principal item of expense in the electronics industry is automatic test equipment. After test, more time and money go on putting the faults right. Mr Archer is surprised that such spending has become the norm while many managers still balk at the idea of improving assembly in the first place by using robots.

Flexibility is the robot system's other important advantage. When the product changes, assembly line workers have to get used to it and there is a period when the proportion of faults is high. The robot need only be switched from one programme to another, and immediately performs perfectly.

An important advantage of flexibility is that the company can respond faster to changes in market demands at a time when the lifetimes of many kinds of electronics systems is shortening.

Some board products change quite frequently with design improvments, altering both assembly and test data. Mr Archer says that the robots will increasingly be coupled back to the computer-aided design and engineering systems used by the company's circuit designers. The design modifications can then be fed directly back to the robot so that the new assembly program is ready to go when the new batches of boards come through. "But," says Archer, "that is a big conceptual leap for many people."

In small batch production, quality is often paramount, particularly in defence work. Inventory reduction also becomes much more important since boards worth more than £5,000 are common.

PA is particularly interested in expanding into such areas and has developed an advance demonstration at Royston using a single IBM 7635 Scara robot.

Valued at about £100,000, the system has an arm with a four-gripper head which can grasp components from supply points fed from tubes, bowl feeders and trays with the components in pre-aligned positions. Any size of board can be accommodated and the machine makes one insertion every four to five seconds.

The rotary head deploys the gripper to suit the component to hand and uses a force sensing device to confirm proper insertion of the component's legs through the holes in the board. If insertion fails, the robot dumps the useless component in a bin and fetches another. It will automatically move to the next position in a component tray if it finds the first empty.

The system is expected to have applications in assembling vehicle electronics systems and information terminal panels and keyboards, as well as normal electronics boards. PA is on 0763 61222.

Motorola and NCR forge product alliance

THE MICROELECTRONICS division of NCR and Motorola Semiconductors have signed a product development agreement and "support alliance" for application-specific integrated circuits (ASICs).

These are components, in array or standard cell form, which can be tailored by the customer to give him a unique chip for his products that will not be available to any competitor.

The agreement is thought to be the first of its kind in the semiconductor industry, covering new devices and the long-term production by both companies of each other's products.

Microscribe plugs a gap in the word processor market

Professional Personal Computing

SOME months ago, I suggested one reason the home computer market had fallen on hard times was that manufacturers and retailers had failed to grasp an important point: that although a home computer can match the versatility of a mainframe or mini, that versatility is unwanted by, and can be positively discouraging to, the casual user.

To a large extent, the same is true of professional personal computers. Recent surveys have shown that few people think they make the best use of their machines. Sophisticated software packages gather dust on office shelves as their owners shy away from learning complex command sequences.

Manufacturers argue that their machines are so powerful that what users do with them is limited only by their imagination.

Users reply that persuading their machines to carry out one task effectively and simply already stretches their imagination to the limit.

A number of machines have been launched over the years which fit the description of an "application engine," a personal computer tuned to carry out one specific task with special efficiency.

There is some agreement that what most people want of a truly "personal" computer—one that bridges the gap between home and office—is the ability to handle words. An early application engine fitted to this task was the "Microwriter," developed in the late 1970s and still marketed today.

It took the best technology available at that time and coupled it with a variation on the principle of the stenography machine to produce a small box, which could easily be tucked into a briefcase, with a single line liquid crystal display and a set of six keys manipulated piano chord fashion to create alphanumeric characters and system commands.

'Nobody wants one machine which has to be programmed separately for each different function'

Those who learned the idosyncratic method of "playing" the Microwriter found it a powerful and useful device. Others simply could not come to terms with anything so alien.

Kyocera, the Japanese manufacturer, set the "standard" for a portable word processing computer in the early 1980s with a series of small machines which had large clear displays and touch type quality keyboards.

Badge labelled by other manufacturers—the Tandy TRS80 Model 100 is probably the best known — these became *the* machines for journalists and others who had to write on the road. Connected to the telephone network through an acoustic coupler, they could be used to file information anywhere in the world. They were also data terminals. Information could be received anywhere with the same facility.

A couple of weeks ago, Amstrad of the UK took the logical step of announcing a home/office computer tuned for word processing only and selling, complete with screen and letter quality printer, for under £400 exclusive VAT.

But the *Amstrad PCW 8256* is a desk machine. Those looking for a truly "personal" word processor—one fitting easily into a briefcase and equipped with powerful word processing software remained unsatisfied.

'Microscribe scores chiefly on simplicity. All it does is act as a word processor or data terminal'

At least, they did until a few months ago when Microscribe, a small company in the Sector high technology design group, started to market a tiny device designed as a fully-portable word processor/data terminal.

Mr Peter Strong, chairman of Microscribe, says the design was inspired by the "Dynabook" an idealised concept computer the size of a paperback book dreamed up at the Xerox Palo Alto Research Centre, where so many of today's ideas of office automation were pioneered.

Sector has a number of creditable designs behind it, including ACT's Apricot computers.

The Microscribe series (there are three models) is immediately impressive. Only 193mm by 181mm, it is cased in rugged plastic and has a liquid crystal display eight lines deep by either 40 or 80 character columns wide. In 80-column mode, the screen serves as a "window" onto the full page.

The keyboard is like a typewriter's and consists of a series of button-like keys which depress one millimetre when fully pressed. It does not suit touch typists — one described it as "horrible" — but for the ordinary one-finger-at-a-time writer it is perfectly adequate.

Microscribe, left, dwarfed by the world standard in portables, Tandy's TRS 80 Model 100

The Microscribe scores chiefly on simplicity. All it does is act as a word processor or data terminal. It has only one communication outlet, a standard RS232 serial data port through which it can communicate with other computers, printers and so on.

This week, Microscribe is launching a new family of machines, the 600 series, which will be true personal computers with languages, operating systems and built-in modem (the device which enables computers to talk over telephone lines).

In moving from an application engine to an all-singing, all dancing computer, has Microscribe ignored the theory that what users want is a machine which does one job properly?

Not quite. Microscribes are for amateur use but only after they have been fitted to the application by professionals. Matching the device to a printer, for example, is not a job for the uninitiated.

The Microscribe word processor/terminals cost just over £400; the new family is expected to be priced at about £500.

ALAN CANE

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN STAR MFG. CO., LTD.

We are pleased to confirm that copies of the 1985 Annual Report, for Star Mfg. Co., Ltd. are now available to EDR holders upon application at the offices of the Depositary, Citibank, N.A., 336 Strand, London, WC2R 1HB and the Agent, Citicorp Bank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg.

CITIBANK, N.A. London Depositary

September 11, 1985.

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Girobank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	11½%	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

- ADEN 25
- ADEN 30
- 155mm ARTILLERY AMMUNITION
- 120mm TANK AMMUNITION
- 4.5 inch (114.3mm) NAVAL AMMUNITION
- 50mm ARTILLERY AMMUNITION
- 105mm TANK AMMUNITION
- 81mm MORTAR AMMUNITION
- 76mm ARMOURED VEHICLE AMMUNITION
- 51mm MORTAR AMMUNITION
- 30mm CANNON AMMUNITION
- 9mm SUB MACHINE GUN AND PISTOL AMMUNITION
- 7.62mm RIFLE AMMUNITION
- 5.56mm RIFLE AMMUNITION
- ANTI-PERSONNEL GRENADES
- ARWEN 37
- BAR MINE SYSTEM
- BIS 14
- BL 755 IMPROVED CLUSTER BOMB
- CHALLENGER MAIN BATTLE TANK
- CHIEFTAIN MAIN BATTLE TANK
- CHIEFTAIN SABRE
- CHIP
- COMBAT ENGINEER TRACTOR
- ELECTRONIC FUZING
- ENFIELD WEAPON SYSTEM
- FOX
- GIANT VIPER
- GUIDED WEAPONS SAFETY SYSTEMS
- HUGHES CHAINGUN
- JP 233
- L7 GUN
- L11 GUN
- L23 GUN
- LANCE
- LAW 80
- LIGHT GUN
- LOW RECOIL GUN
- MISSILE TECHNOLOGY
- MLRS
- 51mm MORTAR
- 81mm MORTAR
- RARDEN
- RESPIRATORS
- SA 80
- SP 122
- SPLIT BLOCK GUN
- STONEFISH
- TARGETS
- VEHICULAR INTERCOM SYSTEM (VIS)
- VIRSS

AND INTO THE FRONT LINE AGAIN WITH BRAVE DEFENDER.

On Friday, 6th September, 65,000 troops were deployed throughout the British Isles. Their objective was to demonstrate the country's will and capability to defend key strategic sites against attack by any potential enemy. The exercise was the biggest in the history of Civil Defence in the U.K. It was called Brave Defender. ■ As so often in Britain's military history, the men and women involved in Brave Defender carried the weapons and equipment of Royal Ordnance. ■ In fact, Royal Ordnance has been playing a crucial role designing, developing and manufacturing defence systems since 1560. ■ Its weapons were tried and tested against the Spanish Armada in 1588, during the Napoleonic Wars, and in the Crimean War. ■ Its design and manufacturing capability grew to meet the demands of Britain's army, navy and airforce during the Great War, World War II and Korea. More recently, Royal Ordnance equipment played a decisive role in the Falklands campaign. ■ In effect, the development of Royal Ordnance runs parallel to the development of the defence industry in the U.K. ■ That development has made it the largest producer of ammunition in Europe; Britain's major manufacturer of armoured vehicles; the country's main designer and manufacturer of tank and field guns; its most important producer of small arms; and the U.K.'s only integrated rocket motor producer. ■ Above all, it is the only organisation in the Free World with the integrated capability to design, develop and make basic components, sub-systems and full systems in each of these sectors. ■ Those involved in Brave Defender will be using only a fraction of the full range of its products, but they will demonstrate again how central Royal Ordnance is to the security of this country.

ROYALORDNANCE

Defence systems, sub-systems and components

Weirton Steel

A co-operative effort at resurrection

Terry Dodsworth on a remarkable reorganisation in the U.S.

OUTSIDE St Paul's Roman Catholic church in Weirton, West Virginia, the congregation has placed a large inscribed rock by the side of the main street. It bears two short verses:

"With God's help we can do it. 1983."

"Nothing is beyond my powers, thanks to the strength God gives me. Phil 4.13."

These few lines are a tribute to one of the most remarkable efforts in industrial reorganisation ever seen in the U.S. Back in 1982, the steelworks which loom over one side of Main Street were threatened with closure, and Weirton came face to face with the prospect of a slow, lingering death. Yet last year, after a prodigious effort to raise money and mobilise the populace, Weirton re-emerged as a workers' co-operative to become one of the most profitable steel companies in the country.

The story of how this isolated steel town escaped the death penalty has become a *cause célèbre*—a fairy tale of survival against almost overwhelming odds. It could never have been achieved without a full-scale community effort which rallied virtually every local organisation, both secular and divine, behind the "We can do it" slogan. Grown men are still visibly moved by the feeling of common purpose which reigned during the rescue campaign.

But Weirton today has moved well beyond the period of seige. Because of its early and glittering success in a sector which has gushed with losses in the last three years—the U.S. steel companies have lost $6.5bn in aggregate since 1982—the company is now attracting attention as a test bed of radical ideas for restructuring declining U.S. industry.

Last year, its profits of $60m were exceeded only by U.S. Steel, the country's largest steel company. National Steel, which precipitated the crisis by selling Weirton, and which was forced to write off $390m in the process, earned only $20m on its steel activities.

The problem the company faced was a fairly typical one in the older industries, mirrored a thousand times over in the U.S. and Europe. Weirton was trapped in a stagnant market coming under increasing competitive pressure from new, low labour cost Third World producers. About 40 per cent of its production went into tin plate, where demand was on a steadily declining curve, while across the range of its products in flat-rolled and galvanised steel, prices were increasingly reflecting a readily available world-wide commodity.

In the 1970s, these weaknesses had been partly hidden by inflationary price increases and by the protection against importers afforded by the weak dollar. But the seeds of the disaster were sown in this period. Cash was flowing too rapidly out of the steel companies into dividends and wages while investment was falling behind the rest of the world.

Cash drain

At Weirton, the cash drain was probably worse than elsewhere. The plant had historically paid wages higher than the rest of the industry—a legacy of the days when the original Ernest Weirton gave the locally-organised trade union a few extra cents to keep it out of the hands of the United Steel Workers.

"Wages were the major reason why National decided not to invest further in Weirton, and started to load other plants rather than this," says Robert Loughhead, Weirton's chairman. "Once that decision was made, you immediately began to run towards foreclosure in one way or another."

The local Independent Steelworkers Union (ISW) proved to be a crucial factor in negotiating the worker takeover. With a history of relatively harmonious relationships with management behind it—the ISW was known colloquially in Pittsburgh as "Weirton Scabs"—the union had the sort of instincts which made it look favourably on the co-operative idea from the start.

It took a leading role in setting up the combined management-union committee to look at the buy-out prospects and set about raising funds for consultants. Somehow, through donations, fêtes and money-raising efforts of all kinds, the small unemployment-riddled valley raised enough money to shell out well over $1m on a handful of advisers, including McKinsey, the management consultants, and Lazard Freres, the investment bank.

The advice from the consultants was unanimous—Weirton could do it, but the workforce would have to accept considerable sacrifices. McKinsey sugested a 32 per cent cut in wages and benefits, a figure that was eventually achieved by dint of an 18 per cent pay reduction and an agreement that National would keep responsibility for the pension plan.

Without the negotiating structure provided by the buy-out proposals, it is doubtful whether the sort of changes required to make Weirton viable again could have been achieved. For a start, the idea of employee ownership gave the workforce a powerful incentive to support a project which could otherwise have been seen as a sell-out to the bosses.

The rescue team decided to reorganise the company under the rules of an employee stock ownership plan (ESOP)—a financial device invented by Congress to provide a powerful financial device for companies needing to recapitalise.

Under the scheme, employees will share profits and eventually emerge as substantial equity owners if they can maintain the current performance.

The organisation that has emerged from this process at Weirton is in no sense driven by European ideas of worker control. On the contrary, Weirton is palpably inspired by free enterprise concepts—the desire to earn the biggest profit possible, the aim of making equity grow and mature, and, above all, the notion of capturing markets by being more competitive than anyone else.

"We structured our wage concessions on the basis of going out and capturing more of the market," says Walter Bish, the 38-year-old president of the ISW. "One of the most important things we have to do is to win more customers, make some money and put it back into the company—to recapitalise."

Bish is equally emphatic that, as he puts it: "You have to have a management to run a business." Loughhead, a professional manager, from Copperweld, the alloy steel company, was hired after the ESOP was put together and given fairly hefty stock options in the best capitalist style.

Although the union has three seats on the board, he is in unquestioned control of day-to-day operations. "Our workforce are workers by day and owners by night," he says, defining the relationship of management and employees.

Even so, part of the reason for the attention Weirton is attracting is that it is moving away from the traditional style of management to a much more participative approach. "I really believe that employee participation and participative management may be one of the last chances we have to solve some of the problems that have plagued us for the past 30 years," says Loughhead.

What these new methods have created so far can be summed up as follows:

- Productivity has risen sharply, with labour costs falling in spite of a modest increase in the workforce to around 8,500. Volume increased by well over 20 per cent to 2.1m tons of steel last year, some 350,000 tons more than the projected level in the McKinsey proposals.
- The company has gained market share through a combination of competitive pricing and more aggressive selling that has won it 250 new customers. The divorce from National has allowed the plant to set up its own sales force and concentrate its efforts on its individual product line in a way that was not possible under the National marketing system of regional offices selling a range of products. Sales rose by around 20 per cent to $1.1bn—making Weirton the country's biggest co-operative.
- Weirton has once again begun to generate sufficient cash to hold out hopes of being able to support an appropriate investment programme. Last year it injected $65m into refurbishing its blast furnaces—almost double the annual expenditure *between 1978* and 1982.
- The company has embarked on an ambitious participative management programme, leading to the creation of 50 problem-solving teams throughout the factory. The union gives Loughhead full marks for an open style of management which involves regular visits to the shop floor, and extensive communications through television and newsletters. A co-operative, he says, is the perfect environment for practicing participation. "There is more going on between management and labour at Weirton than any place else I know."

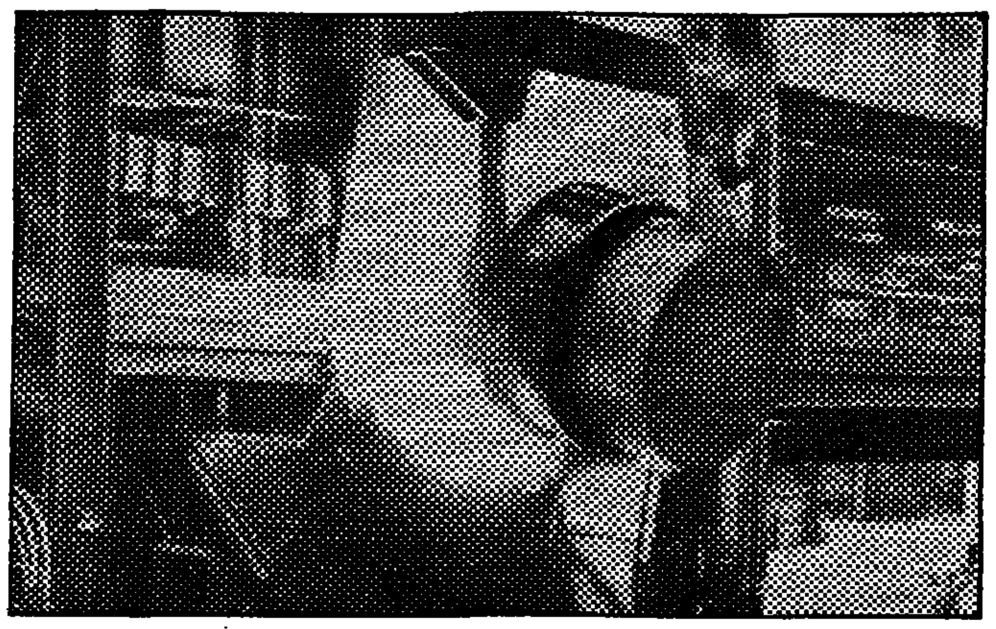
These achievements are, of course, no guarantee for the future. The profits figure, for example, is clearly helped by the zero tax charge (although virtually no U.S. steel company currently pays tax), along with a minimal depreciation allowance—the company's assets were acquired at only 23 per cent of book value and in 1985, Weirton will find it hard to match last year's performance because of the pressure on prices caused by a new surge of imports ahead of the recently-introduced U.S. quota system.

Weirton could equally become a victim of its own success in showing that competitive cuts in labour costs can work. In a country where any good idea is ruthlessly plagiarised, the company was expecting other steel producers to follow its lead when wage contract negotiations came round in 1986.

Finally, the ESOP itself could be weakened if the workforce begins to exercise its shareholding rights to the full. Quite apart from profit sharing, which starts when net worth reaches $100m — a figure that should be achieved this year — employees will be entitled to withdraw shares after six years.

At that point there could well be a cash flow crunch as the company is torn between its investment programme and the demands of the worker-shareholders whom it would have to buy out in the absence of a secondary market.

It could be that Weirton will choose to float some shares if this point is ever reached. Or it may be that by that time employees will be so enamoured of the ownership concept that they will exercise restraint in withdrawing their funds. Either way, the experiment will continue to rivet attention.



Weirton Steel: a test bed fo radican ideas for restructuring declining U.S. industry

How employees profit at Agfa-Gevaert

BY PAUL CHEES RIGHT

AGFA-GEVAERT, the Belgian films, photographic equipment and office systems group, is introducing an employee profit sharing scheme unique in the country. Or, at least, it will introduce it when it is allowed to. For Government wage restraint laws have delayed things for the time being.

And not only has the government managed to cast a shadow over what Agfa-Gevaert's management believes is a notable achievement, but the unions too have been less than enthusiastic since they believe the money could be put to better use.

The profit sharing technique is novel: employees are granted certificates which carry the right to one millionth of the net profits, with the total commitment being to pay employees 5 per cent of the net profits. Or, to put it another way, Bayer of West Germany, as Agfa-Gevaert's parent company, has agreed to surrender a portion of its potential revenue.

Normally in Belgium efforts to involve employees more closely in a company's affairs involve special share issues. During 1982-84, when extensive corporate re-financing through rights issues took place, companies often put aside shares for which employees could bid. The zenith of this technique has been reached by Petrofina, the oil and chemicals group, where employees hold 9 per cent of the shares.

Agfa rejected this possibility. "There are two objections to share issues," explains M Andre Leysen, the president. "The first is from shareholders. In the Agfa case Bayer owns 100 per cent and it wants no trouble with minorities. Second, the distribution of shares to employees isn't liked by the Belgian unions."

Instead, the Agfa company by-laws are being changed to permit the issue of 50,000 profit participation certificates. Each of these is an entitlement to one-millionth of the net profits and on each certificate are four coupons, one for each financial year from 1985 to 1988.

The 8,000 Belgian employees of Agfa are to receive four certificates each. The only qualification is that an employee must have been with the company for a full year. And if an employee leaves, then the certificate has no value. It is not transferable.

So the basic issue accounts for 32,000 or the 50,000 certificates. The remainder will be distributed over the coming years according to merit—to, for example the scientist who comes up with a special invention, or the marketing executive of outstanding performance.

After four years a certificate is worthless. It would then be renewed so that there are always 50,000 in circulation.

Had the scheme been working last year, when Agfa net profits were BFr 4.8bn, then the coupon on each certificate would have been worth BFr 4,800. So with four an employee would gross BFr 19,020. This would attract withholding tax at 25 per cent, leaving a minimum for each employee of BFr 14,400 (£183.50).

In cases where the total personal income of an employee is relatively low, the withholding tax would be recuperable from the tax authorities. But recent changes in the Belgian tax system permit a taxpayer to split off from other personal income the revenue from investments—the withholding tax is paid and that is the end of it. So for Agfa employees paying personal tax at rates higher than the withholding tax level, there are clear fiscal advantages in profit-sharing.

Reaction at the Agfa plants near Antwerp was favourable, according to Leysen, and he expects other Belgian companies to follow the Agfa lead—a lead which springs from impeccably orthodox management thinking. "It is an example of fostering closer interest among employees in the well-being of the company. By doing this I hope to put social relations on another footing. It is a long range scheme," he says.

The central leadership of the main Belgian trade union grouping was less sure. The Christian union federation thought that the 5 per cent for profit-sharing ought to be spent instead on creating new jobs. The socialists warned against "corporalist dangers," classified the whole business as "paternalist" and feared that it would create divisions.

Meanwhile Belgian wage restraint laws will delay the first payment from the planned date of April 1986 until January 1987 when restrains are lifted.

THE ARTS

Television/Christopher Dunkley

Pop guns in the ratings war

If you live in west London and think you can hear applause from White City, rest assured that it is not coming from the greyhound stadium: that has been closed and will soon become the site of the BBC's new radio HQ. The noise presumably comes from the BBC Television Centre, 200 yards down the road, where delirious members of the management are doubtless chairing Michael Grade around the circular sixth-floor corridor, cheering as they go.

Grade, nephew of the film and television magnate Lord Grade, was tempted back to Britain last year from his job in American television to take over as controller of BBC1. Prior to his U.S. venture he had worked for years in Britain's commercial mass media, starting at the bottom and working his way up to become programme controller of London Weekend Television. His invitation from the BBC was unique: no outsider had ever been brought in at such a high level before. He was chosen because the BBC, and especially television managing director Bill Cotton, admired his flair for building tempting programme schedules and respected his tenacity and guile in the ITV-BBC contest, even if he had always been on the wrong side.

The BBC was desperate to improve its position in the ratings war. Having maintained audience parity during the 1960s and 1970s, with two BBC channels against ITV's one, it began to lose in the 1980s. By 1984 ITV was consistently dominating the Top 10 and, with the coming of Channel 4, threatening to move towards a regular 60:40 audience split. Though tolerable as a periodic occurrence this looked dangerous in the long term if the BBC's claim on the licence fee was to be maintained: what government would grant a licence rise to an organisation which could attract only a fraction of the audience, and a shrinking fraction at that?

This week came the happy news: BBC1 programmes occupy five out of the top seven slots, with the BBC taking the top three. You have to go back to the winter of 1980 to find the last time that happened. Perhaps the BBC has turned the corner and is finally emerging from its long, dark night of troubles. Last week the board of governors saw sense and agreed to the screening of the *Real Lives* programme about Irish extremists. Three brief additions have been made to the original work, but nothing has been removed; a small triumph for freedom of expression.

And it looks as though most of the requirements which have been listed in this column in the past as being essential to the long term health of the BBC—a "ratings banker" soap opera to match or outdo *Coronation Street*, a flagship news programme to match or outdo *News at 10*, and regular production of prestige series (whether fact or fiction) to sustain the corporation's name for quality—all appear to be featured in the 1985 autumn season.

Warren Mitchell (left) and Ronnie Barker

The ratings-banker soap opera has been developed in an astonishingly short time. *EastEnders* started in February, attracting an audience of 17.35m in its opening week, only one million fewer than *Coronation Street*. Predictably the early interest ebbed and *EastEnders* slid down to 11m against *Coronation Street's* 17.5m. The big question was: when the new soap climbed back from that low, where would it settle in the ratings? The answer (after the boost from Mrs Whitehouse who declared it too sexy) seems to be that the sky's the limit. For the last two weeks *Coronation Street* has taken slots 1 and 3 and *EastEnders* 2 and 4 in the ratings. This week's list looks like this:

1. Open All Hours BBC1—15.7m
2. In Sickness & In Health BBC1—15.6m
3. EastEnders (Tues/Sun) BBC1—15.4m
4. *Coronation Street* (Wed) ITV—15.05m
5. Coronation Street (Mon) ITV—14.25m
6. EastEnders (Thurs/Sun) BBC1—13.7m
7. Crimewatch BBC1—13.5m
8. The Benny Hill Show ITV—13.15m
9. Bulman ITV—13.1m
10. Dempsey & Makepeace ITV—12.8m

What will give the BBC particular satisfaction is that it has unseated *Coronation Street* not just with *EastEnders* (which benefits, like some ITV programmes, from aggregating its weekday figures and its Sunday omnibus repeat) but with two other programmes which have no such advantage.

The *Nine O'Clock News* has been overhauled, revamped, lengthened, and returned to two-handed presentation. Monday brought the first episode of *The Triumph of the West*, one of those globe-trotting documentary series like *Civilisation* and *The Ascent of Man*, with a similarly broad and grand concept. And although ITV has outbid the BBC for British athletics rights, the late summer has shown that BBC sports programmes are still unmatched: the Test coverage has been superb, and whenever BBC and ITV cover the same international athletics matches overseas the audience proves its preference by switching to the BBC.

There is, of course, still the spectre of Professor Peacock, hovering above the corporation like a great crow, but one way and another this week is the best the BBC has had for years. And yet . . .

If I was director-general Alasdair Milne I would be wary of allowing anxiety to turn too quickly to euphoria. There is something ominously familiar about the look of all the constituents forming this BBC renaissance. So far as soap opera is concerned, perhaps that doesn't matter too much since it fulfils the special function of supporting the top end of the ratings. Yet *EastEnders* is an old form produced in response to ITV's dominance with that form.

Precisely the same can be said, and more worryingly, *about the Nine O'Clock News*: with its two-handed format, its punchy "headlines," its pale blue background, its batches of quickie news items in the middle, its pay-off lines ("This is Martin Bell for the *Nine O'Clock News* . . .") it now looks like a copy of *News at 10*. Of course *News at 10* is very good, but should the BBC not be trying to lead rather than follow?

The comedies which have captured the top two ratings spots for the BBC are good enough, indeed excellent of their sort—but what is their sort? *Open All Hours* is a standard star vehicle built for Ronnie Barker. It is highly polished and professional and — what matter most —funny But after seven years it is also very familiar.

In Sickness and In Health is older still: nearly 20 years, though it was originally known as *Till Death Us Do Part*. Given the radical change in the atmosphere of Britain since 1966, it is astonishing how effective the dreadful and hilarious Alf Garnett character remains. Writer Johnny Speight is still charging in where angels fear to tread, whether the taboo is race or serious illness, and it is a rare tonic to find the red meat of comedy again after so many years of pat-a-cake timidity on British television. But if it feels fresh now, think how revolutionary it was 20 years ago. Where is today's revolution?

Certainly not in the Sunday night schedule between *Open All Hours* at 7.15 and *In Sickness And In Health* at 10.15. The gap is filled by *Howard's Way*, which is a floating version of the 1970s serial *The Brothers*, and then *Whicker's World* which is 22 years old.

Yet the most strikingly dated of all the new season's offerings, so far, is *The Triumph of the West*. That is not to say it is a bad series; on the contrary it looks beautifully made. Having watched episodes 1 and 9 it seems to me that historian John Roberts will probably prove a worthy successor to Kenneth Clark and Jacob Bronowski; and his central idea, that Western civilisation has produced the first world culture, is a fascinating if—I suspect—overstated one. What is so dated is the very spirit of the thing: the Reithian tone of didacticism as the professor poses in front of yet another post card view and hands down the tablets of stone.

It is not (yet) unacceptable, and public service broadcasters around the world will doubtless snap it up. Furthermore one should not dismiss Whicker simply because he has been with us so long: he still does his particular job better than anyone else. There is mileage in Garnett too, and in the BBC's practised sports coverage.

But these were all products of the 1960s. Where are the products of the 1980s?

The Alchemist/Lyric, Hammersmith

Michael Coveney

Even the best of rare Ben Jonson is increasingly rare these days. The last London production of *The Alchemist* was the superb Trevor Nunn RSC version eight years ago. Griff Rhys Jones's revival at the Lyric, Hammersmith—in which he himself plays a most original Sir Epicure Mammon at short notice, having managed to lose both Christopher Biggins and Ronald Fraser in quick succession—is not in that class, lacking true Jonsonian delirium and, in the latter stages, narrative bite and steam. But it will certainly do to be going along with.

Lovewit's house, turned by Subtle and Face into an alchemist's lair to gull the London public and line their own pockets, is like an underground boiler-room suitable for Nathan Detroit's travelling crap game. Roger Glossop has designed this ingenious warren of gantries, pipes, curtains and cubicles, with its gleaming displays of bunsen burners and retorts and its altitudinous platforms from which Dol Common can descend on a flying wire as the *Queen of the Fairies*.

The outdoor scenes are a little cramped, but when Lovewit (Terence Longdon) returns, the place suddenly and for the first time resembles a town house, daylight flooding in through the dark blinds. This is as it should be. The bizarre world of charade and deceit is a theatrical creation of Subtle and Face peopled with representative city characters eager to participate in the pretence. Dapper the clerk (Daniel Peacock) really does believe his fortune can be told by the fairy queen, for credulity in such matters was not uncommon in Jacobean times. The result is that Dapper is touchingly sympathetic. The same goes for Paul Bown's stark bald Abel Drugger, anxious to test the omens for his new corner shop.

Alastair Muir

Gavin Richards (left) and Stephen Moore

The contenders for the philosopher's stone, on the other hand, enter with a gleam in the eye, be they materialist fantasists like Sir Epicure or crazed Dutch pastors working for the reinstitution of the banned Anabaptists. The production delivers these characters with a fine flourish. Rhys Jones does not bury himself in mountainous padding, but sidles on like a Regency dandy delivering his lush encomiums to self-indulgent philanthropy with a dry, barbed vocal tang.

Another brilliant farceur, John Sessions, is the crazed hortatory deacon Ananias who is kept in place by his pastor Tribulation (Raymond Mason) with a stabbing umbrella. As he is shuffled out of the arena he spots an amorous embrace downstage, the one point at which any of the different seven comic plots juggled by Subtle and Face is in danger of bumping into another. The show is full of such brilliant little moments which one feels could be fruitfully extended and emphasised. At the moment it lacks real swing and momentum.

This is no fault of Stephen Moore and Gavin Richards as the craven exploiters. Moore's Subtle is a carefully modulated display of mannerism and dottiness lined with a sort of scheming benevolence, while Richards's Face is a swaggering opportunist, an energetic and imaginative foil whose disguises go to picturesque extremes.

Their accomplice Dol is played by Sylvestre Le Touzel as a reluctant whore with off-duty contempt for the operation expressed in hunched shoulders and a delightfully dilatory Fairy Queen. The most elaborate disguise, though, is of Pertinax Surly as the outrageous Spanish grandee, and his "foolish vice of honesty" in wanting to expose the horoscopic charlatanism is well served by James Faulkner.

Howard Haskin/Wigmore Hall

David Murray

Mr Haskin is the young American tenor whose appearances in Cherubini's *Medea* at Buxton and in Tippett's *King Priam* for Kent Opera have won him golden opinions. Besides a very striking high range (displayed to excellent purpose in that Cherubini) the voice has an evenly attractive timbre, light-coloured but full and virile. He uses it with taste and good sense; though what he obviously enjoys most is exercising his top notes at pressure, he is musician enough to treat less spectacular music with due seriousness.

What his song recital on Monday demonstrated, however, is that the operatic stage is where he belongs. There were good moments in everything he did, over and above the pleasure of hearing a fine voice happily employed — but generalised sentiments were all that he found in Schumann and Duparc, and even in Liszt's Petrarch Sonnets. Nothing was made of individual word-sense (and his muzzy French in Duparc would have been unintelligible to a native speaker), nor therefore of the real expressive burden of the sophisticated songs.

Haskins relished a "cantata" by John Carter, which consisted merely of familiar spirituals strung together with a crude accompaniment, and two fairly theatrical songs by Chaikovsky. Another darker song by that composer foundered upon Haskin's perpetual ingratiating grin (which was wronger still in Duparc, even for "Luxe, calme et volupt"). The Liszt sonnets hovered uncertainly between *Lied*-style and full throated Italian opera. Most of the songs were taken below tempo, no doubt comfortable for singing, but damaging to the most pianistic accompaniments: the evocative magic of Duparc's piano-parts drained away, and Schumann's "*Mit Myrthen und Rosen*"—the opening song, unfortunately—sounded grotesque.

At Buxton Anthony Hose has been a sound, skilful conductor, but here he was a lethal accompanist. Heavy-handed in Schumann, limp and mechanical in Duparc, he reached a nadir with Liszt: one had to suppose he had never heard the Petrarch *Sonnets* in their luminous solo piano versions (not so very different). The fearful din he made in Chaikovsky actually swallowed the tenor in full cry.

Gaby Agis/Almeida

Clement Crisp

The Almeida Theatre is a good-looking building, its handsome interior—two tiers in a gentle curve round a generous dance area stretching to the back wall of the building—well suited to small dance ensembles, experimental work. Alas, what Gaby Agis and Company presented under the title of *Undine and the Still* on Monday night hardly qualified as dance or experiment. The evening was of the most extinguishing tedium. "And Company" is a grandiloquent way of indicating that Miss Agis has recruited three other young women to join her in various fey activities; the use of the words "choreography" and "music" proposed by the programme are equally open to alegations of *chutzpah*.

We find ourselves once again in the presence of that dire naïveté; that hermetically personal and inept world of the supposed post-modernists in Britain, where support (the Arts Council provides assistance for the show; Marks and Spencer and BP have more wisely given subvention to the theatre) is offered even to the dimmest in the belief that they are performing some cultural service.

Innocence—of means, of technical aims and expression, of manner — is the sign of these affairs. The title of the piece, *Undine and the Still*, did not, as I hoped, indicate a water-sprite busy making hooch: its relevance to the interminably flat activities of the four women was never clear. What we saw was the cast, dressed in pastel silks and looking like Jumbo-sized tots, primly romping, falling against each other—contact improvisation up to its fell tricks again — trembling, occasionally running, extending their arms in tiny gestures, and at moments facing the back wall of the theatre as if in a fit of sulks, for which I do not blame them in the least. All this to an accompaniment by Ana da Silva whose minimalist and wearisome procedures make *Three Blind Mice* seem of Mahlerian complexity. Design by Gracia Coutinho comprised, in the first half of the evening, a pendant scroll, whose beige figurations were lightened by touches of colour; the dance remained beige lightened by nothing to relieve its beigeness. The second scene offered a mammiform sand-castle around which the girls reposed themselves.

The argument proposed by a programme note is that the contributors to this marathon of dullness worked independently in contriving its elements. They have succeeded astoundingly well in each matching the unrelieved dreariness of the others. The worthwhile thing about the evening is imaginative lighting by Shirley O'Loughlin: but even she could not shed illumination on the piece's infantile pretensions to being dance.

Alastair Muir

The ENO's "Orpheus in the Underworld" opened last night; it will be reviewed on this page tomorrow

BBC Scottish Symphony

Andrew Clements

For the second of the BBC Scottish Orchestra's Proms appearances it played under its principal conductor Jerzy Maksymiuk and brought a work by Martin Dalby, presently head of music for the BBC in Scotland. Dalby was a composer long before he became an administrator and has remained productive, but I cannot believe that his current work was well represented by *Nozze di Primavera*, first heard at last year's Orkney Festival and receiving its London première on Monday evening.

Celebrating the composer's own marriage, the 11-minute piece is woven around a 13th century wedding hymn; other fragments of nuptial music are also caught in its net from time to time. But if the title suggests some kind of Italianate exuberance and the method of construction a clear, well-signposted development, the undifferentiated, anodyne music that results is most disappointing. Shapely solos for woodwind are buried beneath a thick blanket of string chords, suggesting harmony which always promises to move in a positive direction but never quite delivers. The work could too easily have lasted twice as long and got nowhere at all; in the event it ended as unremarkably as it had begun.

Around the Dalby were grouped Mozart—two works, a robust, slightly rough Haffner symphony and the G major violin concerto with Iona Brown as an often affecting soloist—and Chaikovsky. The second symphony was treated very cautiously by Maksymiuk, who trod carefully through the opening movements, and could never quite extract enough fizz from his players to get the finale airborne.

Saleroom/Antony Thorncroft

Burlington Fair

The antique dealers are fighting back. After years in which the auction houses have made the running, at least in publicity terms, for the sale of works of art, there are signs that the leading dealers are getting street-wise. At the Burlington House home of the Royal Academy from today until September 22 there is a Fair which drives home just how many of the finest pictures, pieces of furniture, silver, clocks, and so on, pass through the hands of dealers.

For the first time the Burlington House Fair has allowed in foreign dealers, and they have taken 13 of the stands. In all there are 82 exhibitors, including most of the top names. This is the connoisseur's market place, for rich American museums and serious collectors.

Surprisingly the pictures have the edge over the furniture. Of particular impact are three Victorian masterpieces on offer by Owen Edgar, all with price tags in excess of £500,000. But they consist of Tissot's seminal portrait of his mistress, Kathleen Newton, when she was just 22 and before the onset of TB; one of the very last Burne-Jones still in private hands, "Flora," and a Lord Leighton of Graces, once owned by Joseph Chamberlain and considered a synthesis of Victorian painting traditions.

Rivalling Owen Edgar in price is a very fine Venetian scene by Guardi, which Richard Green values at £750,000, and a large Canaletto on offer at Colnaghi for around the same price. Colnaghi has got together with Pelham Galleries to create room settings of pictures, furniture and objets d'art. Perhaps the most eye-catching item is an 18th-century harpsichord in perfect condition: such instruments are extremely rare and this one, by Jean Gaermans, carries a £96,000 label.

Johnny Van Haeften has an attractive, small, "Summer" by Pieter Brueghel the Younger, showing haymakers quenching their thirst (£350,000); Christopher Wood has "Wonderland" by Arthur Hughes, given by the artist to King George V in 1915 and subsequently passed on by Queen Mary to a friend; there is an Odilon Redon of flowers at Ivo Bouwman; and a Degas pastel, "Au theatre," at Browse and Darby.

Undoubtedly the *coup d'oeil* is the view at the entrance to the Fair. In front of you is a cannon raised from the Mary Rose (there is a Tudor theme among the loan objects) which leads on to the large, carved alcove of a royal bedchamber of a 17th century Paris house, which was used as the Polish Embassy—an offering by Bernard Steinitz and priced at £200,000. The same exhibitor offers four sculptures representing rivers by Adam l'Aine for £450,000.

This is not a Fair for the modest collector, but anyone interested in beautiful objects will have many pleasurable frissons. For the investor, clocks are regarded as relatively cheap, and there are some good examples on offer, but, in the main, this is an opportunity to gape and to have your artistic consciousness raised in most agreeable surroundings.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 6–12

Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include *There's a Small Hotel*, *Glad to be Unhappy* and the Balanchine ballet *for Slaughter on Tenth Avenue*. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

West Side Story (Opera House): Rex Smith stars in a revival of the durable American classic that translates Romeo and Juliet to a tough but tuneful hispanic New York neighbourhood. Ends Sept 21. Kennedy Center (254 3770).

The Iceman Cometh (Eisenhower): The latest from Peter Sellars' American National Theatre company is a revival of the O'Neill classic starring Jason Robarts, Barnard Hughes and Donald Moffat. Ends Sept 14. Kennedy Center (254 3670).

Tent Meeting (Terrace): A new play first performed at the latest Louisville festival takes a jaundiced view of religious revivalists. Ends Sept 14. Kennedy Center (254 9895).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

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Telephone: 01-248 8000

Wednesday September 11 1985

Now you see it, now you don't

THE immediate cause of the apparently explosive growth of the broad UK money supply in banking August is no mystery at all. More than three-quarters of the public sector borrowing in the month was monetised. What is much harder to determine is how much this pause in funding—in sudden contrast to the over-funding which was systematic until earlier this year—*is simply a technicality*, and how far it represents an unwarranted risk. There are no developments in the real economy to give any immediate cause for concern, but the financial economy looks a little feverish.

There are two strong arguments in favour of the pause in funding, for all that it may have been overdone, one domestic and one international. The domestic reason is associated with that uniquely British problem, the bill mountain. In the course of past overfunding, a policy designed to absorb the bank deposits which would otherwise have grown up to finance bank lending, the authorities have accumulated some £17bn of short-term claims on the private sector, mainly but not entirely in the form of good commercial bills.

Arbitraging

Many City critics, including ourselves, have argued that the transactions involved in rolling these claims over, and meeting shortages of up to £1bn a day in the money markets, have not only dominated the markets but have distorted their operations and the yield curve which reflects those operations. Arbitraging between the bill market and the money market can inflate both lending and deposit figures; arbitraging into the currency markets tends to inflate lending but generates a corresponding foreign currency offset.

While market participants have suspected that these arbitrages are on a very large scale — one recent estimate put the currency arbitrage by the banks themselves at over £3½bn — the authorities have always been sceptical; and certainly the August figures favour the sceptics. The Bank, which stopped over-funding some time ago is now under-funding, and meeting current Government needs by running off some of its banking claims; but lending to the private sector has continued at a virtually unchanged monthly rate.

Since nobody, including the Bank, has plausibly explained why the monthly rate of *borrowing is so high at a time* of healthy corporate cash flow and balance sheets, it may still be distorted. Seasonal factors may also have played a part—a near-record boom in car sales to take advantage of keen price competition in the industry, and the late rush of foreign holiday bookings to escape from the worst British summer since the last bad one. One of the problems of managing the monetary statistics through financial sleight-of-hand is that the underlying realities can be wholly lost to sight.

Distortions

However it seems rather more plausible at the moment to guess that the figures represent financial market distortions rather than any unheralded events in Britain's sluggish real economy. The feverish level of the equity market despite a rather lack-lustre prospect for profits and growth, the irrational price inflation in some rather narrow sectors of the property market, and the turbulence of the exchange market—sterling was mainly strong during banking August, but has fallen sharply since — all suggest excessive liquidity.

Mechanistically, the answer looks obvious: to resume aggressive funding, driving up gilt yields as far as is necessary. At the moment, however, there is a catch: nearly all the net buying of gilts in 1985 has come from overseas, and overseas buying does nothing to reduce the liquidity of the UK private sector. At a deeper level, we in Britain face the problem of controlling liquidity in a small, financially open economy at a time when relaxation by the U.S. Federal Reserve and capital outflows from Japan are flooding world markets with money. London may have to sit this one out.

Failed coup in Thailand

LIKE SO many of its predecessors Monday's failed coup d'etat in Thailand was a familiar ritual which probably deserves no more than a footnote in the country's history. Ambitious army officers, frustrated with the country's economic or political predicament, attempted to seize power, encouraged by precedent to believe that they had a right to try and that they would escape relatively unscathed if they failed.

True to form, the country's ruling triumvirate—the military, the political parties and the monarchy—will try to close ranks now and forget the incident as soon as possible. Monday's events are likely to be seen more as an aberration than a fundamental challenge to the country's stability.

At the same time, the failed coup was an indication that international and domestic pressures are beginning to tell on Thailand. Most obviously, Thailand faces pressure from Vietnam which has 170,000 troops in neighbouring Kampuchea. As the dry season approaches the likelihood of humiliating incursions by the Vietnamese into Thailand to strike at rebel Khmer bases increases. Vietnam's presence in Kampuchea may not pose an immediate threat to Thailand's existence or the stability of South-East Asia. But it is a constant and nagging worry for a government in Bangkok beset with problems of its own.

Threat

The need to meet the Vietnamese threat is also a major factor in encouraging the Thai army to remain the ultimate arbiter of power in the country and therefore retard progress towards genuine democracy. Monday's coup attempt was not the first — there have been 15 attempts in 50 years — and will certainly not be the last. But the most pressing of the country's immediate problems is the deteriorating economic situation. Like so many other successful economies in Asia, Thailand is experiencing serious difficulties in maintaining adequate growth and now faces some difficult choices.

After years of healthy growth Thailand's economy finally buckled under the pressure of depressed commodity prices and the world recession in 1983. Exports declined and the trade deficit increased. The level of public debt, both domestic and foreign, soared and defence spending increased sharply at the same time. By last year, internal security, defence and debt servicing accounted for nearly half of total government spending.

The government has since applied austerity measures along the lines recommended by the IMF, as a result of which economic growth has slowed to an annual rate of around 4 per cent — respectable enough for many countries but the lowest in Thailand for 20 years.

The impact of this programme, beginning with the devaluation of the Baht in *November* and a zero-growth budget for the current year, has been two-fold. Inflation has fallen while both the trade and current account deficits have been cut drastically. However, the Government's shock treatment combined with depressed commodity prices has begun to hurt a wide section of the public. Farmers, who comprise more than 70 per cent of the population, had already been affected by plummeting prices for rice, rubber, maize and tapioca.

Pretext

The state of the economy was a good pretext — and pretext it was — for the leaders of Monday's coup attempt to drum up support. Thailand remains a country of profound social and economic inequalities which provide a constant source of grievance. Many of the Government's critics argue that the austerity drive has been too abrupt and too severe. The same objective could have been achieved, they argue, if the Government had gone about things in a more measured way.

Prime Minister Prem Tinsulanonda will have to act decisively over the next few weeks to reassert his authority both over the Government and the army and will probably find it necessary to make some adjustments in the Government's economic policy. Given that this is the second coup attempt which General Prem has survived during the five years since he came to power, the task which faces him is certainly within his capacities.

South Africa's foreign debt

De Kock looks for a way out of the laager

By Peter Montagnon, Euromarkets Correspondent

A RARE on-the-record statement emerged from Monday's gathering of central banking chiefs in the Swiss city of Basle.

M Pierre Languetin of the Swiss National Bank broke the golden rule of silence attached to these meetings to deny officially a television report that he had met with his South African counterpart Dr Gerhard de Kock.

Nothing speaks more poignantly of South Africa's isolation in the world of international finance than the outspoken way in which even taciturn central bankers are now seeking to disown any responsibility for dealing with that country's $22bn foreign debt problem.

Yet it is precisely from this position of quarantine that South Africa must now start work on arrangements to reschedule $14bn of debt falling due within the next year. And as top South African officials now admit, it is crucial that the rescheduling be handled in such a way as to allow fresh credit and investment capital to flow into the country's economy.

This more than any other *problem now seems to be dominating* South Africa's thinking on its medium term prospects. It was a theme that Dr de Kock himself referred to time and time again during his just-finished 10-day odyseey of would financial centres to explain South Africa's payments standstill.

Yesterday Dr Christian Stals, Director General of Finance turned to it again. "Should South Africa be forced to stay within this laager of isolation, the whole of Southern Africa will lose in development," he told a seminar in Pretoria.

Underlying South Africa's concern is the awareness that it is easy to reschedule debt. All that that involves is not paying now but promising to pay later; South Africa could do that unilaterally if necessary. It is much harder to keep fresh credit flowing, however, and fresh credit is vital if South Africa is to revive its recession bound economy as part of any strategy designed to restore political stability.

Without fresh credit, South Africa would have to continue to run a current account balance of payments surplus for many years ahead to repay its existing debt over the medium term. But that, as Dr de Kock has already admitted, would already involve a considerable sacrifice in terms of high domestic interest rates, high inflation and lost economic output.

Such credit cannot come from swapping gold for dollars alone. Though South Africa had been expected to concentrate on gold swaps as an initial answer to its problems, its holdings of gold at some 6m ounces are worth only around $2bn at current prices. Pledging them for credit would definitely be a last resort.

That is why, despite its current isolation, South Africa would prefer a negotiated way out of its current problems. After Dr de Kock's tour bankers are now expecting the procedure to work like this.

South Africa will continue to look for an individual banker to act as an honest broker between itself and its creditors. It looks increasingly unlikely that anyone will come forward. That may mean an attempt to form a committee of top creditor banks, but more likely now seems a deal in which Dr de Kock or another senior official will travel the world visiting first one creditor bank and then another until common ground is established.

This is a very long and cumbersome procedure and it may require the present standstill to be extended after it expires on December 31. But the aim will be to draw up a set of proposals that South Africa will present to the world unilaterally, knowing in advance that its main creditor banks will not cry "foul." Those that agree to the proposals will also be offered a generous carrot in the form of a substantial downpayment of principal.

There is at present every indication that bank creditors will be quite happy with this type of arrangement as long as the terms are reasonably generous. At least it will be put to them as a "fait accompli," sparing them the embarrassment of having to choose whether to offer South Africa debt relief.

On purely economic terms most also accept that South Africa is a solid risk. It projects a current account balance of payments surplus of $2bn this year and interest payments take up a mere 6 per cent of exports which is infinitesimal compared with most Latin American countries. Its only problem has been a bunching of short term debt maturities.

Paradoxically the very fact that central banks and the International Monetary Fund have refused to help South Africa is also a source of encouragement to some bankers. It means that they were convinced after the first initial hiccups that there was no real risk to the system as a whole from a South African default. Although South Africa faces a short-term squeeze, particularly in the sensitive interbank market where it owes $6.5bn, its total debt only makes it a medium-sized debtor, comparable to Chile, Yugoslavia or the Philippines.

There is no danger of a debt this size breaking any individual banks. Moreover it is well spread geographically with at latest count U.S. banks holding some $4.2bn in South African loans, British banks an estimated $3bn, Swiss banks $1.5bn and German banks $550m, though this excludes lending through their subsidiaries in Luxembourg.

Mr Jacqes de Larosiere, IMF managing director, is *understood to* have told Dr de Kock in Washington last week that the fund could not help South Africa because it faces a liquidity problem. The IMF is only there to help countries in balance of payments difficulties.

Overcoming the liquidity problem is a political matter, according to central bankers at Basle. "It would solve itself very quickly" if political stability returned, said one. What no one seems to know, however, is what South Africa has to do to restore political stability so that credit can flow freely again.

Warning that the country's economic and financial position would deteriorate inexorably without major political reform, one European central bank president said: "Small concessions are no longer enough to satisfy public opinion. Only a complete dismantling of apartheid will do." In the last resort South Africa could still face a choice between this and outright default.

BEHIND-THE-SCENES MOVES THAT CONTAINED THE CRISIS

"IT'S RATHER like a hi-jacking or a kidnapping. If you don't get shot in the first minute your chances get better and better all the time."

So one leading player described the hectic negotiations to contain the potential damage to the world's financial markets of South Africa's debt moratorium, and in particular its freeze on the repayment of interbank deposits.

The perception now is that the immediate crisis has passed. But there were one or two moments when it seemed that the ripple effect of the South African move could have had serious implications for the health of other financial institutions.

As Reserve Bank Governor Gerhard de Kock toured Europe and the U.S., other central banks made it clear that they would do nothing to bail out South Africa. Nor was there any question of putting pressure on commercial institutions to do so.

But it was agreed that it was in everyone's interest to limit the impact of the moratorium on the overall health of the international banking system.

The first threat was posed by the fact that South Africa had included the $6.5bn in interbank deposits placed by foreign banks with those in the Republic or their branches in London and New York.

Previous debt standstills has specifically excluded such deposits.

Dr de Kock's hosts were worried that because the multibillion dollar interbank deposit is an edifice built mainly on mutual confidence.

When a bank places a deposit with another through the interbank market it does not make the risk calculations associated with specific loans or credits.

Each bank will have an exposure limit with other banks, but the system functions efficiently mainly because of the general fabric of confidence.

In the event, it became clear fairly quickly after the moratorium was declared that the world's major banks regarded the South African move as a special case and not as an obstacle to the smooth working of the interbank system.

Banks became more cautious, checking carefully with brokers on where money was being deposited and that exposure limits were not being breached, but the market continued to operate smoothly.

The next potential problem was that individual non-South African banks might be perceived as being over-exposed to South Africa. The danger was that if it was thought that a particular bank would be seriously damaged by the freeze, it could face a run on its deposits.

That threat sent bank regulators in New York and London into the branch offices of Nedbank in those two cities to find out to what extent each depositor bank was affected by the freeze.

Nedbank is South Africa's third largest bank, but the most active in the money markets in London and New York.

The regulators now appear satisfied that the freeze on deposits will not, in the short term at least, create liquidity problems for any other bank.

But if central banks were fairly sure early on that the impact on the interbank deposit market had been contained, the implications for the foreign exchange market appeared much more serious.

Here the problem centred on Nedbank's reputation as an aggressive player in currency trading in both London and New York, and on doubts among other banks about its ability to meet commitments arising from forward foreign exchange contracts.

The moratorium specifically excluded these contracts, but a number of banks were nonetheless wary of dealing with Nedbank. In some cases this involved refusing to enter into new contracts and in others a demand that Nedbank should complete its side of the deal first.

That opened the possibility of long chains of foreign exchange transactions between banks being broken and confidence in that market evaporating.

The fact that one or two U.S. banks in New York responsible for clearing transactions with South African banks were apparently considering withholding some payments to set against money owed to them added to the risk.

In hurried consultations with Dr de Kock, other central banks persuaded him that full control of Nedbank's foreign exchange operations should be transferred back to Johannesburg. The aim was to bolster confidence and ensure that the Reserve Bank could keep a close watch on its liabilities.

The central banks efforts, however, came close to being wrecked by a decision by the U.S. Comptroller of Currency to shut Nedbank's operations in New York.

Some U.S. banks then received legal advice suggesting they should withhold payments. The fragile edifice of confidence again looked in danger of collapse.

Dr de Kock was forced to make a statement that the Reserve Bank would stand by Nedbank. The Comptroller, which apparently had not realised the implications of its move, immediately agreed that Nedbank could re-open.

The view among bankers now, is that this aspect of the crisis has, for the time being at least, been contained. There is a perception that with each threat that comes and goes, the central and commercial banks become more adroit in limiting the damage.

No one though is going to be complacent, and there are likely to be a few more bitten fingernails as deposits and foreign exchange contracts come due for settlement over the next few months.

"Let's not say we are confident. More like quiescent," is how one banker puts it.

In the meantime, trading in the South African rand has come to a standstill. The Reserve Bank is demanding details of every forward transaction and evidence that it represeitnts an underlying commercial transaction.

"It used to be traded like, say, the French franc," commented one foreign exchange trader. "Now it is more like the Kenyan shilling."

Philip Stephens

Men and Matters

Small bang in the Channel

As growing tremors are being felt in the City of London institutions prior to the expected Big Bang the offshore financial community on the Channel Islands has just had a small bang of its own.

A mass resignation at the beginning of this month by virtually all the Channel Islands staff of stockbrokers Sheppards and Chase in order to join rival brokers James Capel has earned those concerned a severe rap over the knuckles from the Jersey *financial sector regulatory* authorities.

The Sheppards and Chase staff—25 in Jersey and 10 in Guernsey—decided to change horses because they did not like the pending takeover of the firm by the consortium bank, Banque Arabe et Internationale d'Investissement.

They felt that the change would put the firm lower down the league than James Capel's tie-up with the Hongkong and Shanghai Bank.

The upheaval has given James Capel a stronger Channel Islands presence, including a new Guernsey branch manned by the defectors.

Sheppards and Chase has been left anxiously assuring customers that it is "fully committed to remaining in the islands," and is hastening to replace its lost staff.

The official rebuke from the States of Jersey financial and economics committee has come because in Jersey the authorities expect to be told in advance when this sort of thing is about to happen.

The island keeps a close watch under its Regulation of Undertakings and Development Law on the number of staff an outside firm employs, and how much office space it occupies. The mass walkout has forced James Capel to apply for more office space, while Sheppards and Chase no longer has the staff to fill the space it was licensed to occupy.

Jersey's finance committee has let James Capel have the extra space it wants on condition that it is occupied only by ex-Sheppards and Chase staff, and says it is going to "review the position" of its depleted rival at the end of the year, once it has seen how the firm copes with staff replacement.

Meanwhile, any employees in Jersey thinking of indulging in similar musical chairs in future have been warned to ask the finance committee first, since "the committee may well not find it possible to accommodate what it proposed."

Sales talk

In Stalin's day the Great Soviet Encyclopaedia said on advertising: "Hullabaloo, speculation, and a mad race for profits has made advertising a means of swindling the people and foisting upon them goods frequently useless or of dubious quality."

The latest edition of the encyclopaedia plays a different tune: "The popularisation of goods with the aim of selling them, the creation of demand for these goods, the acquaintance of consumers with their quality, particular features and locations of their sales and explanation of the method of their use."

And which capitalist could quarrel with that?

"£10 a week as a sixth form supervisor isn't a bad start—you'll soon be a form-master *the way things are going*"

Full circle

Stuart Goldsmith's City career will complete a neat circle if his plans for Hill Woolgar, the licensed deposit taker he now heads, come to fruition.

Goldsmith, now 40, began his 20-year progress through the City at the stockbroking firm of Sebag, where he was an engineering analyst.

His plans for Hill Woolgar will move the emphasis of the company away from corporate finance and the over-the-counter stock market towards more conventional stockbroking activities.

Talks are already under way with several stockbrokers with large private client lists aimed at a merger.

"The recent City marriages have been aimed at building up large institutional businesses," he says. "I believe there is a good future for the private client side of stockbroking."

After five years at Sebag, Goldsmith decided he wanted to take his own decisions rather than just advise others so he moved to the fund management arm of Slater Walker, then at its peak.

The fund management side emerged relatively unscathed from the collapse of the Slater Walker empire as Britannia Arrow Holdings. Goldsmith played a large part in the growth of Britannia to a £4.5bn fund.

One of his first tasks at Hill Woolgar will be to find a new name for the company after the departure of the two founders, John Woolgar and Laurence Hill, as joint deputy chairmen.

Goldsmith invites suggestions but says his own name will not be part of the new title.

Screen time

Now that the BBC has decided to show the controversial documentary about Northern Ireland extremism—At the Edge of the Union—the screening date, October 16, appears unfortunate to say the least.

To make room for the programme the BBC will interrupt a 13-part series called Soldier—the history of men in uniform—narrated by thriller writer Frederick Forsyth.

There are a number of men in uniform in the Real Lives documentary too. They are the IRA men who wear black berets and fire Armalite rifles in the air in remote Ulster villages.

By slotting-in the programme in this way the BBC could be about to give it a greater legitimacy in October than it would have had last August if the BBC governors and the Home Secretary had decided that the programme should have had its original screening.

Take heart

Readers were prolific with their suggestions last year when I posed the question "What is an actuary?"

Now Fiasco, the magazine of the Institute of Actuaries students' society reveals that body is seeking a new name.

What about the Young Actuaries' Society?, prompts Fiasco.

But that leads on to knotty questions such as: What is a young actuary? . . . Indeed, what is an old actuary?

Fiasco welcomes suggestions.

A current runner is the Young-At-Heart Actuaries' Society.

Observer

THE BIRMINGHAM RIOTS

A long-anticipated explosion

By Arthur Smith, Midlands Correspondent in Birmingham

PARVEZ KAHN, an unshaven Pakistani, shuffled nervously, the door to his heavily-barricaded shop just ajar. Behind him was darkness, his distressed young relatives, and shelves stripped by looters in a night of violence that took the Birmingham area of Handsworth by surprise.

He was watching the agitated groups of West Indians in Lozells Road, laughing, joking and pointing to the still smouldering shells of buildings, the boarded-up shops and broken windows of the flats above.

Parvez, 33, who has kept the shop for three years, had never seen anything like this before. His fear contrasted with the admittedly unreal but apparently reassuring business of the television crews and journalists rushing around for interviews with the people who the previous night had witnessed a riot in a inner city area just a few minutes' drive from the famous Gravelly Hill intersection of the M6.

Parvez leaned forward to shout against the incessant whine of the burglar alarm from the nearby Uncle Sam Travel Agency: "Tonight they will take the Soho Road. The trouble will go on."

Meanwhile, a sudden buzz of excitement from the several hundred West Indians lining the litter-strewn Lozells Road heralded the arrival of a sleek maroon Jaguar. It sped past the rows of fire engines clearing up the debris of the night before. Out stepped Mr Geoffrey Dear, the West Midlands Chief Constable, followed by Mr Douglas Hurd, the Home Secretary.

The bravado of the goodwill mission quickly backfired. The two, with a limited uniformed escort, were immediately surrounded by a baying group of West Indian youths. Mr Dear and the Home Secretary strode towards the Night Spot, a Caribbean club, which remained undamaged in a street where the Asian shops had taken a battering.

A cameraman and his crew were sent sprawling. There was a panic rush of youths away from the fracas. And suddenly bricks and bottles were flying through the air from a side-street.

Ms Clare Short, a local Labour MP commented: "There's your headline: Home Secretary arrives and provokes a riot."

As the youths stampeded along Lozells Road, to rain half-bricks upon parked police vans, the mood turned nasty. With people running in every direction there seemed no way to safety.

Firemen damping down burnt-out buildings in Handsworth's Lozells Road

Constables crouched behind riot shields. The sight of their uniforms seemed enough to unleash new fury and fresh onslaughts of bricks.

A motor escort whisked away the Home Secretary, but police and residents were left to face out the stalemate as gangs of youths roamed the streets.

While the flashpoint might have been unpredictable, the elements for conflict have been obvious for years.

The district of Handsworth, Soho, Lozells, close to the Birmingham city centre has been pinpointed by the Government as one of the most deprived areas in the UK, whether measured by housing, unemployment or social problems.

More than 40 per cent of the households in the area are occupied by people born in the West Indies or Asia. In Soho ward, near to the scene of Monday night's troubles, the immigrant population rises to nearly 75 per cent.

The explosion had been long anticipated. The area is often used as the example for the best initiative in improving race relations, and the police have played their part in pioneering a fresh community spirit. Local authorities and the Government have poured some £20m into the area in recent years. Initiatives are apparent in the stretches of green park and housing improvements, but fade into insignificance against the problems in an area built largely at the turn of the century to cope with rapid industrialisation. There is row upon row of terraced artisans' dwellings, built to serve the requirements of the booming engineering and foundry industries of the prosperous West Midlands.

The problem was exacerbated in the 1950s and 1960s when the city recruited immigrants from overseas to man the buses, staff the hospitals and stoke the foundries of a rapidly expanding post-war economy.

The ravages of recession, which have seen 190,000 jobs axed in the city—nearly twice the 100,000 job losses of Scotland and Wales put together over the same period—has left areas such as this an island of unemployment.

The latest statistics reveal unemployment levels of up to 40 per cent against a Birmingham average of 20 per cent and a national level of 13.4 per cent. The problem is aggravated by long-term unemployment and the numbers of young jobless—half those in the 19 to 24 age group.

Last night's violence was aimed directly at shops owned by Asians. But community relations experts believe the racial element was not paramount.

Mr Dear suggested the problem of hooliganism was spreading from the football grounds to the streets. He talked of the "blood lust" of the crowd and suggested the rioting might have been encouraged by the recent television pictures of mob violence by blacks in South Africa.

Mr Dick Knowles, the moderate Labour leader of Birmingham City Council, drew attention to the good race relations in Birmingham despite its much-publicised areas of inner city deprivation. He suggested an additional factor behind the violence was possibly the issue of drug trafficking.

According to the police, the incidents leading up to the night's riot were fairly normal for a "problem area." An Asian shopkeeper was knifed early in the day and 11 police officers were hurt in a fracas with 100 black youths when they tried to arrest a motorist over a tax disc.

Trouble flared three hours later when firemen were called to a blaze at an old bingo hall. They came under bombardment from a group of youths and were forced to retreat. Petrol bombs were hurled, cars turned over and ignited to set up barricades in the narrow streets. Hundreds of coloured and white youths took part in organised looting with the police and fire services helpless.

The night of rioting and the attack upon the Home Secretary yesterday provided a stark contrast with the scene just one week earlier. The Prime Minister addressed a conference in the leafy suburb of Edgbaston and enthused about the opportunities available for the West Midlands with its history of free enterprise and entrepreneurial talent.

CHRONOLOGY OF VIOLENCE

LAST NIGHT'S rioting in Birmingham was the first major outbreak of urban violence in Britain since the serious disturbances of 1980-1981.

Although isolated incidents had been reported previously, it was the violent scenes in the Saint Pauls district of Bristol on the night of April 2 1980 which first focused nationwide attention on the social problems and racial tensions in Britain's inner cities.

April 10, 1981: **violence flared in Brixton, south London.**

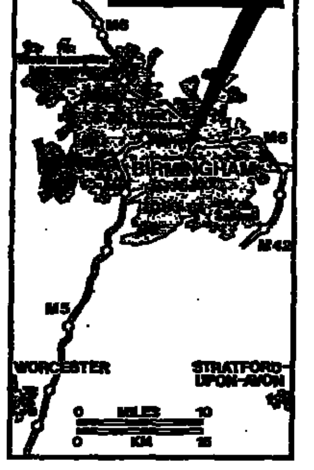
July 3, 1981: **Battles between skinheads and Asian youths in Southall resulted in injuries to 105 policemen, two firemen, three ambulancemen and 25 members of the public.**

July 5 and 6, 1981: CS gas used for the first time in Toxteth to break up crowds. 128 officers injured, 152 arrests.

July 8 and 9, 1981: Rioters attempted to storm police station in Moss-side, Manchester.

July 10 and 12: Weekend of disorder in more than 30 English towns and cities including Birmingham, Leicester, Derby, Leeds, Wolverhampton, Bradford, Blackburn and London.

July 26-28: Further violence in Toxteth.



The enlarged EEC

Power shifts away from the 'golden circle'

By Michael Nevin

THE accession of Spain and Portugal to the European Economic Community has stimulated little interest in Britain—and this is not really surprising. Britain, in common with the other member states of the EEC, faces the twin problems of economic stagnation and an intractable inflation which is only slowly being overcome.

Even the most ardent European would have to admit that the EEC as an organisation has not made a notable contribution to resolving these problems.

Its institutions and policies were designed 30 years ago to tackle specific problems, such as the reconstruction of Europe's basic coal and steel industries, the modernisation of agriculture, and the development of trade between member states. They have failed to adapt to the greatly changed world economic environment since the oil price crisis of 1973-74; and it is not immediately evident that the entry of Spain and Portugal into the EEC will improve this situation.

However, over the longer term the influence of the Iberian peninsula on Europe may be more subtle and profound than is generally recognised today.

A glance at the map of the enlarged EEC gives a clue as to why this may be so. It is immediately apparent that the critical Franco-German axis, which has dominated the Common Market since its formation, will be in a definite minority for the first time. The relative importance of the periphery of the EEC: the Mediterranean basin, Denmark, and the Celtic fringe of the British Isles: will increase. Potentially, the regions will be more important within the political structure of the EEC than the centre.

The shift of power from the centre to the regions could have important consequences for the future of the Common Market. Put in its simplest terms, it will shift power from the rich to the poor. Average incomes within the EEC are highest in the centre, and get steadily lower as one radiates out towards the periphery towards the poorest regions: Ireland, Greece, southern Italy, and now Spain and Portugal. They are dependent upon agriculture and traditional industries such as textiles, iron and steel, and shipbuilding, which are in decline. Most of Europe's modern industry, as well as its government and banking and other services, lie within a "Golden Circle" at the centre, which extends over south-east England, eastern France, northern Italy and West Germany.

Two reports prepared by the EEC Commission on Europe's regional problem* make it clear that not only are there large regional disparities within the Common Market, but these are getting steadily wider and they will be made worse by the entry of Spain and Portugal. There has been a gradual but unmistakable drift of jobs, income and people from the periphery to the centre; and the dynamics of the market economy are likely to reinforce this drift.

The very fact of the concentration of government, services and population within the "Golden Circle" gives it enormous advantages over the rest of the EEC in attracting new industry. The EEC Commission's first periodic report on the regions of Europe commented: "The most striking feature is that investment per head and per person employed was much lower in those countries which have below average GDP — the United Kingdom, Italy and Ireland — than in the rest of the Community . . . This clearly means that the gap between the productive capacity of the three weaker countries and the rest of the Community has widened substantially during the 1970s."

The influence of the Iberian peninsula

The question of regional policy cuts across conventional party lines: all the peripheral regions of Europe have a common interest in getting a larger slice of the EEC cake. If this common interest can be forged into practical political coalitions, it will have profound implications for the future of the Common Market.

First and foremost, it is likely to mean a shift in emphasis away from the Common Agricultural Policy (CAP) towards programmes for regional development. When the CAP was first set up, European agriculture was outmoded and dominated by the poor smallholder sector. The idea was to give peasant farmers an incentive to modernise, by guaranteeing purchase of their production at an established minimum price. In that, it succeeded admirably: Europe now produces a surplus of food, and the figure of the poor peasant tilling his land with an ox-drawn plough has faded into history. The problem is that, because of vested interests within the Common Market, the CAP has not faded with it. The CAP still soaks up two-thirds of the Community's budget, giving incentives to produce where none are needed. The consequences are the food mountains and wine lakes.

The problem of regional disparities within the EEC is now far more acute than that of agricultural development. But in contrast to the lavish amounts spent subsidising agriculture, the European Regional Development Fund accounts for only 7.5 per cent of the EEC's expenditure, at approximately Ecus 2bn (£1.2bn) per annum. These grant funds are supplemented by loans from the European Investment Bank, which currently provides some Ecus 3bn (£1.8bn) per annum in support of regional development projects. Together, these sources comprise less than 0.2 per cent of the Gross Domestic Product of the EEC: too small to have more than a marginal impact on the regional problem.

There are already indications that the European Regional Development Fund may be substantially increased after the entry of Spain and Portugal. However, it is less certain that in per capita terms the regions will be any better off, after account is taken of the 50m citizens of the Iberian peninsula. So if a serious effort is to be made towards redressing the imbalances between the "Golden Circle" and the peripheral regions, far more resources will have to be applied to regional development programmes.

** Commission of the European Communities: The Regions of Europe, first periodic report (Brussels, January 1981); second periodic report (Brussels, April 1984).*

The author works for the European Investment Bank in Luxembourg.

Hotel room prices

From Lord Forte

Sir,—A privately circulated survey by Measurement for Management Decision and the Hotel and Catering Industry Training Board—which appears to draw some wild conclusions from inadequate source data—is provocatively interpreted by your correspondent, Arthur Sandles (August 31) as to suggest that "hotel accommodation is so expensive that further price rises will deter business." This totally ignores the first and main conclusion of the survey, that "prospects for the industry look good" and there is no evidence to justify the headline "Hotel rooms are too costly."

This is typical of many unjustified comments implying that management in the hotel industry is completely insensitive to shifts in supply and demand. Over the years the industry has responded magnificently to market demands and undoubtedly this has contributed to the success presently being enjoyed by hotel groups which in turn is greatly beneficial to the economy as a whole.

In random quotations from the survey it is stated that there is little doubt that the rise in hotel prices has restricted volume growth in the industry" and there appears to be an overall hypothesis that as an industry we are so irresponsible on pricing that demand will fall dramatically. There is no evidence for this and the data on which the survey is based is at variance with our own experience and forecasts.

While in any industry there might be a few irresponsible operators, certainly in ours they are in a small minority and I recall only a few months ago my company and other major groups were commended for our overall moderation in keeping price increases just a fraction above inflation.

As for the way in which the survey dismisses as too optimistic the British Tourist Authority forecasts, I am confident that the 15m mark will be reached this year and I would commend the BTA for its efforts and the close collaboration that it maintains with the industry.

Over many years we have demonstrated our ability to attract an increasing flow of visitors and tourist revenue to this country; equally consistent as has been the flow of reports predicting the collapse of our industry. Could we please have a little pat on the back occasionally!

Charles Forte,
Trusthouse Forte.
86 Park Lane, W1.

Letters to the Editor

People Express income

From Mr D. Solon

Sir, — Terry Dodsworth's and William Hall's excellent story from New York (September 3) contains one minor error in the second and again in the final paragraphs. People Express (no possessive) is the company name. Indeed, the airline has been at some pains to stress the orthography.

We certainly appreciate the substantive comments by your correspondents concerning People Express and its success. The table of six-month 1985 revenue and market share give some hints as to why the company has grown so rapidly: USAir, with slightly larger market share in terms of physical traffic, had almost precisely twice the revenue of People Express — that is, passengers on USAir were paying almost exactly twice as much per mile flown. Ditto aboard Republic.

The tabulation of net income is, of course, not so favourable to People Express. Had it been broken into separate data for the first and second quarterly periods, it would have shown that People Express was highly profitable, to the tune of $13.1m, in the three months to June 30 1985.

Daniel P. Solon.
(Public Relations Consultant),
People Express Airlines.
Room 610-611,
North Roof Office Block,
Gatwick Airport, West Sussex.

Progress on unitary tax

From Mr L. Blumenthal.

Sir,—Your report of the progress of the Unitary Tax Bill in California (September 2) suggested that a recent amendment was conciliatory to U.S. multinationals. This is not so. Under the Bill, foreign based multinationals would be subject to a true "water's edge" basis for unitary tax purposes, ie their non-U.S. income would be excluded from the unitary tax calculations. As a result of the amendment, however, U.S. multinationals would find that the foreign as well as the domestic income of their U.S. incorporated companies doing more than 80 per cent of their business abroad would also have to be brought into account for unitary tax purposes.

L. Blumenthal,
(UK Tax Manager),
Mobil Europe Inc,
3 Clements Inn, WC2.

Agreement on bedding

From the General Secretary, Furniture, Timber and Allied Trades Union

Sir,—If the letter (Sept 9) from Mr Patrick Quigley, the chief executive of the National Bedding Federation, was intended to convey to readers the details of the dispute with Silentnight Bedding, now in its 13th week, then he should have gone on to explain that the incentive scheme is directly related to the minimum rates, therefore, £5.25 per week should be added to the minimum rates and whatever proportion of that figure should be paid, dependent upon the additional output by each individual member.

The last sentence of Mr Quigley's letter is not strictly accurate because where a bonus scheme is directly related to a minimum rate there is an obligation under the local incentive scheme to increase wages accordingly.

B. Rubner.
Fairfield,
Roe Green,
Kingsbury, NW9

Insurance salesmen

From Mrs C. Veasey

Sir,—I cannot help feeling that Eric Short (September 2) has missed the point behind investor protection and licensing of insurance salesmen.

I agree that the success of the system will depend upon the level set for the proposed test of competence, but this must be viewed in light of the fact that anyone granted a licence or even a provisional licence will appear to the public to be fully qualified. The production of such a card will lull the consumer into believing that everything the salesman says is no less than the truth. Past experience has shown that this is far from likely to be the case.

The only real safeguard is a much stiffer system of examination than that currently proposed. I feel that this should be carried out jointly by the Chartered Insurance Institute and by the Pensions Management Institute. Your leader of August 30 states that the examinations are likely to fall far short of the rigours of professional examination. This in itself is already an implied criticism of the system. Why should the examinations not be based on a professional examination?

I admit that this would mean that many of the so-called "door-to-door" salesmen of life assurance and pensions would be taken off the streets. Surely this would be a good thing from the point of view of protection of the consumer? We spend much of our time trying to right the problems caused by over aggressive selling of unsuitable pension policies by salesmen who are not even aware that there are other products on the market, let alone more suitable ones. The pensions field is complex and with increasing amounts of legislation is becoming more difficult even for the expert to comprehend. Consumers must be protected before the advent of personal pensions increases the risks they face.

I welcome the ideas behind the proposals but if the procedures fall far short of the necessary standards then this will be a retrograde step and not a progressive one.

C. Veasey (Mrs),
D. A. Budge Pension Advisory & Management Services,
7 North Park Road,
Harrogate, Yorkshire.

Small or micro businesses

From the Chairman, National Federation of Self Employed and Small Businesses

Sir,—While the definition of small on a European scale is to be welcomed as far as abolishing compulsory audits is concerned (September 6) the basis of a turnover of less than £1.4m, gross assets of less than £700,000 and average employment of 50 people shows just how way off the mark this is when applied to the UK.

Customs and Excise VAT figures show that some 7-8 firms have an annual turnover of less than £100,000. Add on those whose turnover is below that for registration (or who have de-registered for whatever reason) and you have nearer 9 out of 10 of all UK businesses. This correlates with official figures which show that the 1m or so "small" firms employ 6m people — a quarter of the work-force.

Fifty workers on the national average of £160 per week gives a wages bill of over £400,000. The actual turnover of such a firm would put it in the top 3 per cent of UK businesses.

With figures like these what chance has the truly "micro" business really got when competing for de-regulation with such relative giants?

"Micros" are in a totally different league from "small" and should be recognised as such.

Bernard A. Juby.
c/o 1, Wash Lane,
Yardley, Birmingham.

FINANCIAL TIMES
Wednesday September 11 1985

HOME SECRETARY ATTACKED BY YOUTHS IN BIRMINGHAM

Rioting erupts again in Britain

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT, IN BIRMINGHAM

FRESH RIOTING erupted yesterday in Birmingham, Britain's second city, after a night of violence on Monday that left two people dead and a further two feared killed.

Youths overturned police vans and set them alight, using them as barricades. Massive police reinforcements were able to control the violence, but an uneasy calm prevailed, with gangs of youths roaming the streets into last night.

Mr Geoffrey Dear, chief of West Midlands police, said the situation remained "very serious."

Mr Douglas Hurd, the Home Secretary, came under attack from stone-throwing black youths during a fact-finding visit to the scene of the riots.

The violence, in the Handsworth district of the city, where more than 40 per cent of the population is of Caribbean or Asian descent, lasted several hours.

Hundreds of mainly black youths hurled petrol bombs and bricks, overturned cars and barricaded streets before looting shops and terrorising the local population.

More than 50 shops were looted and 20 cars destroyed.

West Midlands police said last night that two bodies, both male Asians, had been recovered from a burnt-out post office. Another two are feared dead.

Mr Hurd had hardly begun to inspect the still-smoking ruins before he was surrounded by a mob of largely West Indian youths. As bricks and bottles were hurled towards his party, he was bundled unceremoniously into the back of a police van and driven away from the area.

As tension mounted riot police were stationed throughout the area. "We shall be policing at a level commensurate with the risks," Mr Dear said.

The chief constable, along with the leading Birmingham politicians played down the racial element of the riot.

He described it as "a lust for blood," an "orgy of thieving" and "pure naked hooliganism."

Mr Hurd warned at a press conference at the West Midlands police headquarters that riots might spread to other sensitive inner-city areas.

He acknowledged that unemployment and social deprivation might have been factors in the Birmingham violence, that involved widespread looting and arson. But he insisted: "We are dealing with crimes. That point must be emphasised."

The three priorities of government were the restoration and maintenance of public order, a strong and relentless investigation and moves to get community leaders to restore confidence, he said.

Mr Hurd, who said he had been in touch with Prime Minister Margaret Thatcher throughout the day, seemed last night to be intent on riding out the current storm. "I have not closed my mind to any line of action, but my instincts are against a new inquiry into the whole background of inner city problems."

Mr Hurd said black people he had *met on his visit had blamed the* troubles on unemployment and deprivation.

"These are social evils on which we have spent a great deal of time and money – £20m in Handsworth alone under the urban programme, three quarters of which has come from central government."

But he argued that unemployment and social conditions did not justify "setting fire to other peoples' houses and putting other peoples' lives at risk."

He would be expecting to see "an account of events." "The priorities," he said, "are to restore confidence, establish law and order and get the community building bridges."

Mr Dick Knowles, Labour leader of the city council, pointed to the area's success in introducing new forms of policing and improving community relations. He suggested an outside factor in the trouble might have been drug trafficking.

The flashpoint for the Birmingham violence – the worst since the race riots of 1980-81 – might have been unexpected, but the elements have long been present: "A high concentration of mixed immigrants, and chronic long-term unemployment, particularly among the young.

Mrs Thatcher described the riots as "utterly appalling" and called on *local leaders to prevent such events* happening again.

"The damage was very considerable indeed," she said. "In order to put it right it will need not only all the resources and dedication of police – we shall need all the leaders of the local community to utterly condemn it and make sure it does not happen gain again."

Mrs Thatcher said the riots had blown up "extremely quickly." It was a tragedy that they had happened in an area where community policing was carried out, she added.

Mr Neil Kinnock, the Labour leader, said unemployment was a contributory factor to the "hysteria and horror" of the riots. But he added that it was by no means the only factor.

A long-anticipated explosion, Page 15

Head of French railways forced to resign

By David Housego in Paris

THE HEAD of the French railways (the SNCF) resigned yesterday after formally taking responsibility for the series of rail accidents in France this summer which have cost 84 lives.

But friends of M André Chadeau, who has been president of the French railways since 1981, made clear that he had been forced to step down by the Government, which asked for his resignation on Monday night. Under the SNCF's system of administration M Chadeau is president of the board, but direct responsibility for safety lies with the general management.

In forcing M Chadeau's resignation, the Government's intention appears to have been to appease public anxiety over SNCF's recent safety record.

Over the weekend a further train was derailed near Metz in eastern France when travelling at 120 km an hour over a stretch of track where a 30km limit was in force. Three people were slightly injured. On Saturday also a train hit a car at Saint Pierre de Quiberon in Brittany, killing the driver of the vehicle.

Several passenger associations yesterday walked out of a regular meeting with the SNCF to protest at what they described as the SNCF's unwillingness to give them precise information on the accidents this summer. Since the last major accident at Argenton-sur-Creuse in central France on August 3, which cost 43 lives, the SNCF has cancelled all rail advertising until the end of the year.

M Chadeau was said yesterday to have been surprised by the Government's request. On Sunday, he and M Paul Centil, the general manager, who is currently recovering from illness, issued a statement to all rail workers instructing them to pay more attention to security.

In his letter of resignation published yesterday, M Chadeau said that he accepted the "objective responsibility for the accidents in the name of the company."

In his letter of reply M Paul Quiles, Minister of Transport, praised M Chadeau's work at the SNCF. Son of a railway worker, M Chadeau had headed the private office of former Prime Minister Jacques Chaban Delmas before being appointed by the Socialists to head the French rail network.

The accident at Argenton-sur-Creuse was caused by a driver ignoring a 30km speed limit on a track where works were in progress. The other major accident this summer at Flaujac in central France, when 32 people were killed, was caused by a stationmaster allowing a train down a single line track when another train was coming in the opposite direction. The series of accidents are by far the worst the SNCF has experienced since the 1950s.

Until yesterday the SNCF had declined to accept that its safety procedures were deficient – though it has said that improvements are constantly being made. In particular it has rejected arguments put forward by some railwaymen that accidents would be less likely to occur if the driver had an assistant in the cab.

The Communist-led CGT union has blamed the accidents on cutbacks *in the workforce of the* French railways, which it claims have imposed greater strains on staff.

THE LEX COLUMN

Money, money everywhere

The last half-dozen sets of UK money supply figures have been so riddled with oddities and distortions that it was almost a relief yesterday to find a set which was just plain bad. The Government has not completely exhausted its stockpile of excuses – local authority borrowing from the Public Works Loan Board has boosted the PSBR in the latest month – but they are becoming rather lamer. Quite how a switch from market to PWLB finance inflates sterling M3 is anyone's guess.

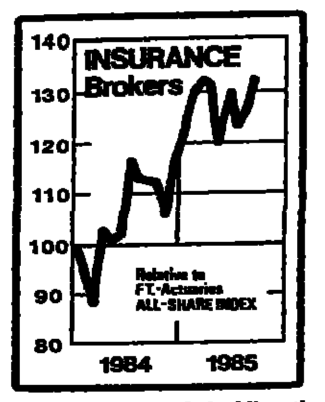
Yesterday's real surprise was the continued strength of bank lending which, if the seasonal adjustments have done their job, must reflect an old-fashioned credit spree. The authorities profess not to be greatly concerned by the accumulating evidence of monetary looseness – Mo is doing just fine after all – and the markets appear to be taking them at their word. In the days when sterling M3 was a proper target, figures like those which appeared yesterday would have sent government securities into a spin.

But the world has changed. Funding pressures are light, despite the overshoot, and the more radical gilt-edged broker will now buy stock on dreadful figures. The antediluvian argument that more money in the system means more money for the capital market has made something of a comeback, while if the official response to rapid monetary growth is to be continued high interest rates, then gilt-edged should be overrun with foreigners chasing a currency profit.

Short gilt

The gilt-edged market has not been the most exciting place of late, but money-supply figures are not yet wholly ignored, and yesterday's new short gilt future got off to a good start on the London International Financial Futures Exchange. A volume of 1581 traded lots was beyond anybody's expectations; and those sceptical about the liquidity of some of Liffe's markets might have been surprised by the resilience of the existing long gilt contract, which showed a more than respectable volume.

The City's trading community can now hedge sterling interest rates at Liffe across the board, from three-month money to 25-year gilts. Yesterday's business suggests Liffe has got the structure right, compensating for the lower volatility of short gilts by halving the minimum



price movement and doubling the lot value in relation to longs. Whatever the trade done by jobbers yesterday, those 29 primary dealers of the future – all but one Scots jobber represented on the exchange – may well need the hedging and arbitrage possibilities of the contract if they are to make any money at all in their new role.

Liffe would dearly like to see the largest holders in the cash market, the building societies, permitted to hedge their depositors' exposure; after all, it cannot be the Treasury's wish to see active trading in the cash market still confined to the largest societies. Who knows, they might wish one day to hedge their mortgage and deposit rates.

Booker McConnell

For Booker to make optimistic noises yesterday would have risked turning up the gas under an already overheated share price, which had scarcely looked like cooling off even after Dee Corporation placed its stake in June. Instead, Booker's excellent figures for the six months to June – showing a pre-tax profit of £27.6m – were accompanied by a luke warm douche of a statement; the price inevitably fizzled, closing 22p lower at 283p.

Although there is indeed no way in which Booker can reproduce this 58 per cent rise at the full year, it should manage to meet its defence forecast comfortably enough, even though exchange rate movements have since made £45m a tougher proposition than it was. With plenty of room for improved operating results in many of its activities – part of the original bid attraction – Booker has better things to show for its investment in agriculture, food distribution and health, with more to come in the second half. If there is a sickly spot, it is health; the latest gains are mostly due to loss-elimination in the U.S. where last year's deeper involvement in vitamins may already be in need of reassessment. With perhaps £55m attainable in 1986, the shares may nevertheless be capable of living at their present level.

Willis Faber

Both the volume of research material and a brisk market in the shares have made it clear that the insurance broking sector has recently been seen as one of the surest things in the market.

The hardening of premiums, currency influences running the brokers' way, and a falling tax rate have combined to make prospective earnings growth look both faster and more reliable than almost any alternative. Though Willis Faber (the first of the season) did nothing to undermine these arguments in producing £32.6m before tax for the first half, a 25p fall in its share price to 700p showed that the market had rather leapfrogged over events.

There are a few points to worry over: thanks to bad debt provisions and the sharply rising cost of indemnity insurance, expenses are running well ahead of revenues; Willis Faber's insurance companies are making larger underwriting losses; regiments of disgruntled tennis players are suing one of the group's Lloyd's agencies. But against the strongly rising trend of brokerage income that most people can see over the horizon, these are pin-pricks; if full year profits are up by much less than a quarter, the market will have got things badly wrong.

Market shares

The latest CRA institutional investment survey reaches some remarkable conclusions about the state of play in the gilt-edged market. Over the past two years Mullens has apparently seen its share of gilt-edged commissions slip back from 10 to 6 per cent, while both Grieveson Grant and Hoare Govett are alleged to have lost more than half their market shares and now trail with 4 per cent each.

The CRA conclusions will stir up more than a little controversy. Mullens may indeed have lost market share but there is not much doubt that it – together with Grieveson, Hoare, Greenwell and Phillips & Drew – retains a clear lead over the rest with shares of between 7 per cent and 10 per cent each.

Gorbachev pledge on chemical weapons

By Patrick Cockburn in Moscow

THE SOVIET UNION would respect a zone free from chemical weapons in Western Europe if the U.S. agreed to do the same, Mr Mikhail Gorbachev, the Soviet leader, said yesterday to Herr Johannes Rau, who is widely expected to be the next leader of the West German Social Democrat Party.

Mr Gorbachev also stressed that the Soviet Union needs peace in order to carry out economic change at home, hinting that increased Soviet military expenditure would damage his plans for economic reform.

The suggestion for a chemical weapon free zone came from Herr Rau, the prime minister of North Rhine-Westphalia, who is leading a delegation of senior businessmen on a three-day official visit to the Soviet Union.

The official Soviet newsagency Tass described the atmosphere of the meeting between Mr Gorbachev and Herr Rau as "one of mutual understanding and constructive spirit." This cordial tone is in sharp contrast to the almost invariably hostile comments on Chancellor Helmut Kohl's Government in Bonn by the Soviet media.

Herr Rau said that Mr Gorbachev did not mention West German revanchism – the desire to change postwar boundaries – as a threat to the Soviet Union and its East European allies, although the Tass account of the meeting says that the Soviet leader did so.

The timing of Herr Rau's visit is geared both to his need for international exposure and the imminence of the next five-year plan. This starts in 1986 and the Soviet Union is expected to award a number of *billion-dollar contracts to international* bidders in the near future.

Companies from North Rhine-Westphalia are involved in bids for contracts to build large industrial plants producing steel pipe, synthetic fibres and polyolefins against strong competition from Italy, France and Britain.

West Germany is the Soviet Union's largest trading partner in the West with imports mainly of oil and gas, worth 1.75bn roubles ($2.15bn) and exports of 1.61bn roubles in the first six months of the year.

Total Soviet exports to the West in the first half of the year showed a deficit of 2.4bn roubles, suggesting that oil exports were hit by bad weather in the oilfields, and by higher than normal Soviet demand, in the first months of the year.

Conference will study plans for changes in EEC charter

BY QUENTIN PEEL IN LUXEMBOURG

THE FIRST detailed proposals for changes in the Treaty of Rome, the founding charter of the EEC, will be put forward by the European Commission next week, officials said in Luxembourg yesterday.

The proposed amendments to be considered by the 12-nation intergovernmental conference which opened in Luxembourg on Monday are likely to cover both new areas of competence for the Community, and ways of streamlining decision-making.

The first round of the conference, born in bitterness at the Milan EEC summit in June, ended harmoniously enough with all member states promising to consider any treaty amendments constructively.

There was broad agreement on the new interests which should be spelled out for the Community, including more effective ways for implementing a genuine common market, co-ordination of environmental policies, closer economic and monetary co-operation, and the means to promote new technologies in the Community. Common policies on health, education and culture could also be provided for.

The strategy of the Luxembourg presidency to launch the debate on the areas of new Community interest and not on the more hotly-disputed questions of decision-making and the powers of the European Parliament, undoubtedly helped to improve the atmosphere.

The ministers rapidly succeeded in agreeing on a timetable for five full meetings ending on November 26, in time for final amendments to be presented to the European Parliament before the next EEC summit in Luxembourg in early December.

Proposals for amendments have to be submitted by October 15, M Jacques Poos, the Luxembourg Foreign Minister and conference chairman, told his fellow ministers. They represented not only the present 10 Community members, but also Spain and Portugal, which join on January 1.

The ministers also agreed that they would consult a delegation from the parliament, and consider parliamentary amendments to their proposals, at each meeting.

Given the continuing deep divisions between member states, at least on questions of national sovereignty and the powers of the parliament, the timetable looks very tight for final agreement before the Luxembourg summit.

Sir Geoffrey Howe, the British Foreign Secretary, *still* insisted after the conference that he believed decision-making could be speeded up – and more majority voting used – without having to agree formal treaty amendments which then have to be ratified by all 12 national parliaments.

But he promised that Britain would assess whether any proposed amendments would improve decision-making and strengthen the EEC economy.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, went further in repeating that his Government wished to keep the present "Luxembourg compromise," which allows an individual member state to block any vote being taken, by citing its "vital national interest."

He also said he believed the present balance between Community institutions was correct, and that the aims of the member states, including new policy areas, could be accomplished within the present treaty.

Brussels legal threat to airlines, Page 3; Power shift, Page 15

Consafe group files for bankruptcy

Continued from Page 1

state-owned shipping company, Zenith.

Mr Ericsson, who controls some 56 per cent of the equity and 90 per cent of the votes in Consafe, has been a fierce critic of the Socialist Government and has played a lead*ing part in the fight against the* controversialsystem of trade union-controlled investment funds which was introduced last year.

"My political activity hasn't made me very popular with the powers in Stockholm," Mr Ericsson observed yesterday.

A former jazz drummer and merchant sea captain, he was considered one of Sweden's brightest young entrepreneurs. He transformed SKr 5,000 in starting capital and a simple cargo handling innovation into a worldwide offshore empire.

Consafe was one of Sweden's glamour stocks after its introduction in 1983. Shares peaked at SKr 510 early the next year. But by the time trading was stopped late last month their value had sunk to SKr 40.

UK interest rate hopes hit by money supply rise

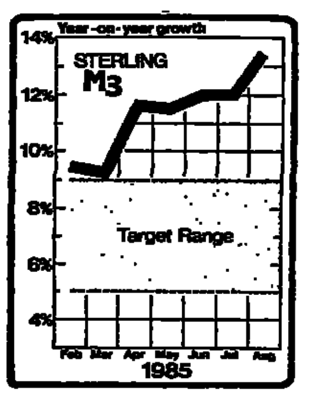
Continued from Page 1

Yesterday, officials were at pains to point out that Mo, the narrow definition of money which comprises cash and banks' balances with the Bank of England, fell by ½ per cent in August.

Mo grew at an annualised rate of *only 3¼ per cent in the latest six* months, towards the bottom of its 3 to 7 per cent target range.

The authorities appear to regard this, along with the 11½ per cent bank base rates, as an indication that money conditions in the economy are relatively tight.

This view could be reinforced later this autumn if, as expected, the inflation rate comes down fairly rapidly from the annual rate of 6.9 per cent recorded for July. Inflation is expected to fall to 5 per cent by the end of the year, which suggests that in real terms, short-term interest rates could be around 5½ to 6



per cent, which is very high in historical terms.

Nevertheless, all the indications at present suggest that the authorities will keep interest rates at their current levels.

UK blocks agreement

Continued from Page 1

tional Congress (ANC) before the meeting, the first time that the Community has accorded the movement such recognition.

The ministers in their statement called for the lifting of the current state of emergency, the immediate and unconditional release of Mr Nelson Mandela and other political prisoners and an end to detention without trial and forced relocation. They also demanded a "firm commitment by the South African Government to end apartheid and to dismantle discriminatory legislation, particularly the pass laws and the group areas act; finally, real negotiations with the true representatives of the South African people, including those currently in prison."

Among ministers expressing their regret at the outcome were Mr Peter Barry of Ireland, who expressed "extreme disappointment," and Mr Hans van der Broek, Netherlands Foreign Minister, who said he was "not happy but it was the best they could do in the circumstances."

M Roland Dumas, the French Foreign Minister, insisted that it was progress to have an agreement among nine, although he had earlier urged a common strategy towards South Africa above all else.

● In Washington, Senate Democrats and some Republicans have moved to reopen the vote on sanctions, complaining that President Reagan's measures are too mild. Monday's vote went in the President's favour only because supporters of the Congressional legislation, who won 53 votes against 34 for the White House plans, failed to secure a two thirds majority.

Morgan buys market indices rights

Continued from Page 1

Morgan Stanley's existing domestic research capability."

Under the terms of the agreement Morgan Stanley will also acquire the Capital International data base which contains historical stock price and business statistics on the 1,600 companies going back as far as 20 years.

Mr Biggs said: "We believe no other pool of information is even remotely comparable. If properly utilised and enhanced, this data base and collection capability should give us the tools to offer a unique, proprietary research strategy service to international investors."

Under the deal, which is due to become effective on January 1, Capital International Perspective will continue to be published in Geneva by its existing staff.

Our Financial Staff in London adds: The company's World Index of equities is widely regarded as the most authoritative international measure of world stock markets, embracing the performance of 19 national markets. It also presents international performance data of 38 industry groups.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	23	73	Malaga	S	28	82	Salzburg	S	15	59
Akrotiri	S	29	84	Faro	F	25	77	Malta	F	26	79	Seoul	C	19	66
Algiers	S	31	88	Florence	S	25	77	Manila	S	32	90	Singapore	F	31	88
Amsterdam	S	18	64	Frankfurt	S	16	61	Miami	S	25	77	Stockholm	F	14	57
Athens	S	28	82	Funchal	C	25	77	Milan	S	22	72	Strasbourg	S	18	64
Bahrain	S	38	100	Geneva	C	22	72	Moscow	C	14	57	Sydney	F	20	68
Bangkok	S	33	91	Gibraltar	-	—	—	Munich	S	14	57	Taipei	S	34	93
Barcelona	F	25	77	Guernsey	-	—	—	Nairobi	-	—	—	Tangier	-	—	—
Beirut	C	27	81	Helsinki	C	12	54	Naples	-	—	—	Tehran	-	—	—
Belgrade	S	17	63	H Kong	R	26	79	New Delhi	S	35	95	Tel Aviv	S	28	82
Berlin	F	15	59	Innsbruck	S	17	63	New York	C	19	66	Tenerife	-	—	—
Biarritz	S	23	73	Inverness	S	17	63	Nice	S	25	77	Tokyo	S	29	84
Blackpool	-	—	—	Istanbul	C	19	66	Oporto	S	33	91	Toronto	R	14	57
Bordeaux	S	24	75	Jersey	-	—	—	Oslo	C	11	52	Tunis	F	27	81
Brussels	S	19	66	Jo'burg	F	24	75	Paris	S	18	64	Valencia	F	28	82
Budapest	S	18	64	Las Palmas	F	26	79	Prague	F	13	55	Venice	S	20	68
B. Aires	R	21	70	Lima	C	18	64	Reykjavik	C	11	52	Vienna	F	15	59
Cairo	S	32	90	Lisbon	F	26	79	Rio de J'o	S	27	81	Warsaw	C	12	54
Cape Town	C	17	63	Locarno	-	—	—	Rome	S	26	79	Zurich	-	—	—
Caracas	C	27	81	London	S	22	72								
Casablanca	-	—	—	Los Angeles	C	17	63								
Copenhagen	F	15	59	Luxembourg	S	15	59								
Corfu	S	24	75	Madrid	S	31	88								
Dublin	S	19	66	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

SECTION III

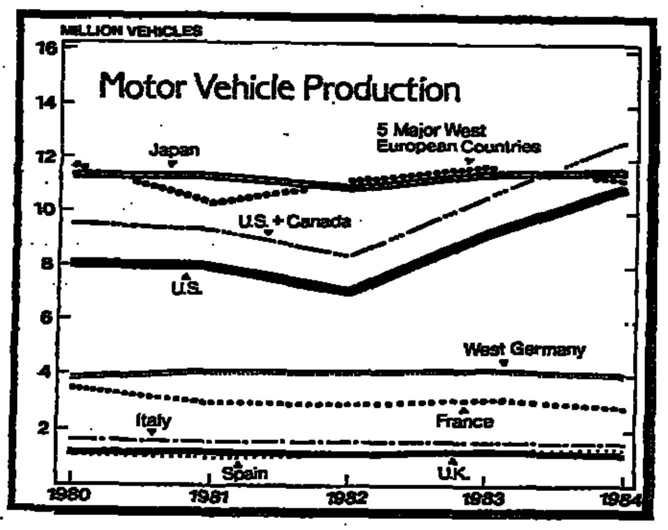
FINANCIAL TIMES SURVEY

MOTOR INDUSTRY

Links between U.S. and Japanese companies are being strengthened as the Japanese makers step up the amount of foreign assembly. Europe's manufacturers are trying to resolve problems of emission controls and continuing over-capacity.

Rapid change and new patterns

By Kenneth Gooding
Motor Industry Correspondent



THE MOTOR industry, which has gathered to show its latest models at the Frankfurt Show opening tomorrow, is in a state of rapid change. Frankfurt is probably the world's most important motor show and since the last event, two years ago, several distinct patterns have emerged.

● The Japanese have decided to move some of their car assembly out of Japan and, significantly, intend to start the process *seriously in the U.S.* rather than Europe.

● Links between the Japanese, acknowledged to lead the world in terms of productivity and quality for mass-produced cars, and the Americans, who have wealth and enormously strong retail networks in the most affluent countries in the world at their disposal, are gradually strengthening.

● *There is therefore the danger* that the Western European industry before long could find *itself facing the combined might* of the U.S. and Japan as a series of cooperative links — leading to exchanges in technology and *products — develop* between those countries' industries.

● It is now obvious that any harmonisation and co-operation between the European producers could take a painfully long time. The squabbling recently has been worse than *ever, particularly over the issue* of emission controls for cars.

● Competition in Western Europe — where six carmakers have about the same market share — and Japan — where Nissan is determined to claw back market share lost to *Toyota — increased substantially*, leaving North America as *the only major market offering* the chance of profits.

● *The U.S. companies dramatically reduced their break-even* level of output in the early *1980s and have reaped major* financial rewards as car demand recovered in the States.

● Protectionism remained as *strong as ever. The industry* and governments are attempting to find methods to manage the steep decline in the workforce *brought about by the introduction* by the Western companies of more efficient methods of organising the design, development and production of cars.

It took the Japanese a long time to persuade themselves to set up assembly plants in the U.S., their most important export market. But when their sales in the States reached nearly 2m at a time when the domestic producers were suffering big financial and job losses it became obvious that the Japanese would have to do *something to overcome growing protectionist sentiment in* the U.S.

The outcry forced the Reagan adminstration to put a cap on Japanese car imports to the U.S. via a "voluntary" restraint agreement (VRA) with the Japanese government.

The VRA has now been re*moved but the Japanese took* the hint. Not only are they continuing not to push too hard into the American car market but also every major producer has announced plans to build assembly plants in North America.

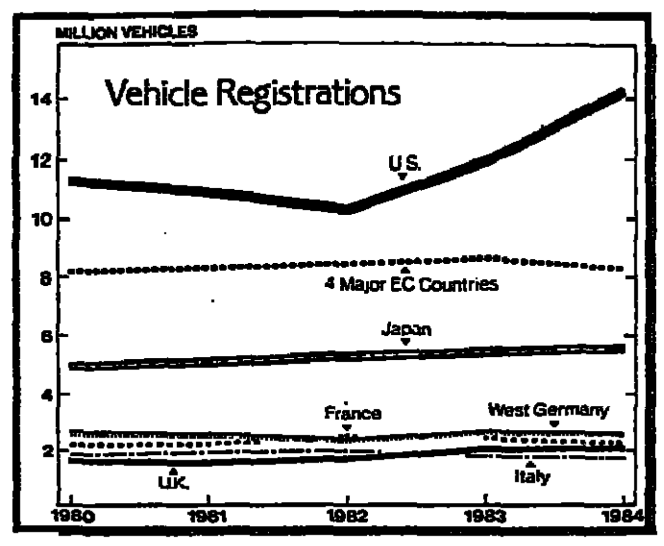
Toyota, the largest Japanese group, has a joint project with General Motors, the world's biggest automotive company, to build cars in Freemont, California. The plant under Toyota management, using a workforce of UAW union members previously laid off at Freemont, is assembling small cars for sale through GM's Chevrolet dealers.

The Japanese company recently decided to expand production to provide Corolla models for its own dealers in the States. And it is actively looking for a site to put up a factory to assemble 200,000 cars a year in the U.S. and another to make 50,000 annually in Canada.

As usual among the Japanese, Honda, that country's most-adventurous company, led the way into U.S. production by announcing that it would expand its motorcycle facility *at Marysville, Ohio, to produce* cars. That project is already up and running. Honda has been rewarded by taking from *Toyota the top spot for* Japanese car sales in the U.S. market in the first half of this year, once its imports and American products are added together.

Honda also led the Japanese companies by announcing it *will now build a car engine* plant in the States. Honda probably has more to lose than any of its Japanese rivals if *protectionism in the U.S. gets* out of hand because it sells more cars in the States than in Japan.

Nissan, second largest of the Japanese carmakers, is in the process of adding car output to its pick-up truck facility in Smyrna, Tennessee. *Mazda has announced that it will build* cars at Flat Rock in Michigan. Mitsubishi will establish a joint car assembly project with Chrysler and, like Toyota, is looking for suitable sites.



The Japanese are being helped enormously in this process by their links with the American companies. In Toyota's case it has had the chance to test the water in the States without going in too deep by sharing its first U.S. project with GM.

The U.S. group, in turn, has a chance to see whether the *Japanese style of organising* production—which has given that country such a lead in volume car manufacturing—can *be transferred to the States.*

Meanwhile, GM is using its smaller Japanese associates Isuzu and Suzuki to provide small cars for the bottom end of its Chevrolet range in the States. GM opposed the continuation of the voluntary restraint agreement because of the damage the VRA did to these projects. GM already owns 34 per cent of Isuzu and has the option to increase that to 43 per cent and has a token 5 per cent of Suzuki to cement the trading links.

Ford, meanwhile, owns 25 per cent of Mazda and has a series of deals in train. To start with it will give Mazda a helping hand in the U.S. by taking about half the output when the *Japanese group's new factory* starts producing cars in 1987.

Mazda will also supply components to a new Ford factory in Mexico which will assemble them into cars mainly for the States. Mazda, Ford and a South Korean company, Kia, are co-operating to produce cars destined for sale in America and Europe.

Ford already has transformed its position in the Asia-Pacific area by switching from European cars to those built by Mazda. Whereas it once made huge losses in that area, Ford *now chalks up big profits by* selling Mazda cars with Ford badges.

Chrysler, third-largest of the *U.S. companies, could not stand* idly by and watch all this happening without doing something in reply. Once the VRA was re*moved Chrysler announced it is* to work much more closely with Mitsubishi in the future. It will increase its shareholding in the Japanese company from 15 per cent to 24 per cent and set up the joint car assembly project in the States. Chrysler will probably take half the output.

Once they have established U.S. production, of course, the Japanese will turn their attention more seriously to Europe.

Ironically, some of the problems which keep the European industry in such disarray also make it difficult for the Japanese to work out their strategies *for Europe.*

For example, the fact there is no genuine Common Market has left the Japanese wondering where physically it is best to position their plants in Europe.

They are also well aware of the other major problems faced by the European producers. To start with, Europe's six largest car producers are in something of a financial mess, having suffered combined losses equivalent to $2.3bn over the past five years.

In broad terms it is fair to assume that every volume car producer today finds it exceptionally difficult to make profits in Europe or Japan. Only the U.S. is a honeypot. Last year the European industry had a deficit of $1bn; the Japanese, thanks to their exports to the U.S., reported a $4bn profit. The U.S. manufacturers had a sur*plus of $20bn.*

The causes of Europe's financial stress are well documented. Since General Motors finally found the right formula for its European car business, allowed its Opel subsidiary in West Germany to lead the way in car design and development and entered the small car market for the first time with its Corsa/Nova factory in Spain, Europe has had half a dozen

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CONTENTS

Detroit still optimistic that sales boom will continue

The impact of imports, and the longer-term effect of incentives to buyers, remain unknown factors

The U.S.
TERRY DODSWORTH

MID-1985 FINDS the U.S. economy drifting along uneasily as it tries to recapture the spark which deserted it at the turn of the year. The motor industry is caught in the same mood, still showing a little growth, but steadily losing crucial ground throughout the late summer.

The motor manufacturers, however, are by no means convinced as yet that the sales boom which got fully under way in 1983 is over. Indeed, they continue to reflect the consensus view of Wall Street and the Government's Washington forecasters, who believe that the recovery engineered by the Reagan Administration will catch its second breath in the current quarter, pick up pace again in the last three months of the year, and maintain a steady job throughout most of 1985.

Wall Street's predictions are based very largely upon the easier credit policy pursued by the Federal Reserve Board throughout this year, and the consequent sharp drop in interest rates. Detroit is taking comfort from the same factors, but it also remains optimistic about the psychological outlook of U.S. consumers in a period when inflation is remaining under control, and when most surveys show Americans thinking positively about the prospects for the economy.

Although about 33m cars have been sold over the last 36 months—a figure which has some analysts talking about market saturation — the manufacturers are continuing to plan for some growth during the rest of this year.

Analysis of the current trend is complicated by the fact that the car companies, both domestic and importers, were hit by a month-long strike of the truck hauliers who ferry cars to the dealerships from the railheads or docks. August sales have sagged in consequence, undermined by the shortage of stocks, even though the dispute was brought to an end early in the month.

Even before August, the main holiday month in the U.S., sales had begun to stagnate seriously. Nevertheless, before the summer turndown, the market moved ahead of even last year's buoyant performance, with sales rising by 3 per cent in the first half.

The increase in shipments, to 5.6m units, allowed scope for growth both by the domestic producers and the importers, who have surged ahead this year to grab additional market share —up from 22.5 per cent of the total market to 23.4 per cent.

The manufacturers are sufficiently confident in their belief that they can continue to push ahead with similar verve in the second half that they are launching a two-part plan of attack.

First, they plan to build more cars than in the same period of last year. Indeed, in the third quarter, their current plans seem to point to a production rate of about 12 per cent more than a year ago, with a target of 1.8m vehicles as against 1.6m.

After a first half in which production was up by 5 per cent to 5.3m units, (output is invariably higher in the first half of the year), the industry could be set to despatch about 9m cars this year from the assembly.

Second, the big car companies have launched a new raft of very aggressive incentive programmes. Led by General Motors, whose market share has been slipping this year—down from about 48 per cent to 43 per cent—new rates of between 7.5 and 7.7 per cent are being offered by all the three leading groups GM, Ford and Chrysler —and are being followed by some of the smaller companies.

Anecdotal evidence suggests that these incentives are being swallowed readily by the car-buying public, although some economists have expressed doubts about the wisdom of the policy. While the idea is to clear out stocks of older models before the new model year begins, critics argue that the favourable financing terms will simply drag demand forward, leaving sales staffs with a much tougher task in marketing the new models.

The biggest unknown factor for the U.S. industry in making its forecasts is the impact of imports. This question has just floated back to cast a shadow over the big domestic producers who have been protected for three years by the quota on Japanese cars. Earlier this year, the Reagan Administration effectively opened up the U.S.'s frontier once again to allow unchecked entry to Japanese producers, and they have responded in the main with a drive to increase their market share.

In the May-June period, imports reached their highest ever figure, at a 2.9m annualised rate, with the gains made by Japanese producers in small cars complemented by increased sales of European luxury vehicles.

The emergence of a group of strong new competitors in the shape of the importers over the past ten years is now radically altering the shape of the U.S. industry. To compete, the U.S. companies have slimmed down and will continue to reduce the size of their labour forces—Ford has just announced that it will cut its white-collar staff by a further 10,000 over the rest of this decade.

At the same time, the big U.S. domestic producers are creating a series of importing alliances with the Japanese to bring in small cars of the type they find difficult to make competitively themselves. And the Japanese, in turn, are becoming substantial manufacturers of cars in North America.

This year, Honda has sold more cars—286,000 units in the first half—than any of its Japanese competitors in the U.S., partly because it now has a large supply of domestically-produced vehicles to supplement its imports. Nissan has just begun to produce at a plant in Tennessee, and every other large Japanese vehicle company is committed to invest in manufacturing in the U.S.—Toyota, Mazda and Mitsubishi.

In ten years' time, a U.S. industry which is totally dominated by domestically-owned producers is likely to have disappeared.

European shares of new-car market

(by company and country 1984-83)

		Ford	Fiat Auto	VW-Audi	Peugeot group	General Motors	Renault	Austin-Rover	Daimler-Benz	BMW	Volvo	Japan (all)	Total units
Austria	'84	10.83	7.24	20.50	6.90	12.98	4.84	0.12	3.49	3.79	1.63	28.10	207,447
	'83	8.98	5.95	21.99	6.35	13.70	4.95	0.19	3.34	3.44	1.56	28.35	247,847
Belgium/Lux	'84	9.64	6.28	13.30	13.69	11.72	8.30	1.82	2.46	2.57	2.14	20.15	352,227
	'83	7.79	6.20	13.09	13.54	11.14	8.18	1.51	2.49	2.96	2.05	22.92	338,933
Denmark ...	'84	16.85	5.44	6.97	6.88	14.16	0.47	0.27	0.69	1.87	4.11	29.61	134,345
	'83	14.77	5.35	5.24	7.09	13.73	0.57	0.07	0.77	2.03	3.78	31.01	116,238
Finland	'84	8.62	5.15	6.22	6.75	8.45	0.71	0.05	2.08	1.97	4.76	37.83	126,995
	'83	8.23	7.64	4.71	6.78	8.02	0.69	0.24	2.40	2.00	4.78	40.15	119,440
France	'84	7.86	5.53	5.55	33.13	4.37	31.00	1.72	1.08	1.72	0.90	3.03	1,757,673
	'83	7.11	5.10	5.72	32.21	3.83	35.13	1.01	0.93	1.64	0.69	2.70	2,017,617
Greece*	'84	7.44	2.36	3.85	7.09	12.93	8.40	—	—	—	—	30.96	65,747
	'83	9.03	3.72	2.86	5.59	9.99	7.87	—	—	—	—	39.57	61,549
Ireland	'84	21.63	7.92	5.26	4.58	14.45	8.56	5.40	0.54	0.74	1.68	27.47	56,141
	'83	21.47	8.91	4.45	4.36	12.60	8.85	5.26	0.49	0.65	1.47	30.01	59,132
Italy	'84	4.48	54.28	5.90	6.65	5.09	8.95	1.26	0.92	1.68	1.29	0.17	1,636,363
	'83	4.57	55.42	5.69	6.41	3.47	10.22	1.71	0.84	1.76	1.09	0.14	1,580,672
Netherlands .	'84	12.81	7.30	9.21	10.50	15.53	5.65	1.41	2.01	2.80	5.09	22.01	461,391
	'83	10.82	6.55	8.29	10.59	16.31	6.36	1.74	1.94	3.23	4.81	23.49	459,379
Norway	'84	14.73	4.95	10.28	6.12	12.42	0.47	0	1.73	2.05	7.87	34.48	107,237
	'83	14.79	2.49	11.13	5.12	13.28	0.44	0	1.56	1.90	7.61	35.86	109,672
Portugal ...	'84	5.40	14.76	1.29	12.48	13.69	36.66	3.90	3.11	0.51	0.93	6.81	74,638
	'83	5.35	14.00	1.99	15.46	8.97	36.52	5.58	4.55	1.06	1.24	9.74	76,702
Spain	'84	14.90	0.83	5.62	20.72	8.70	29.59	0.47	0.31	0.65	0.30	0.71	493,890
	'83	13.24	0.80	1.05	18.09	9.44	32.12	0.40	0.68	0.69	0.30	1.05	528,323
Sweden	'84	11.02	2.98	11.25	3.19	9.48	1.10	0	2.70	1.82	27.00	14.89	231,121
	'83	9.93	2.57	10.19	3.09	9.60	1.02	0	2.79	1.89	28.56	15.24	217,123
Switzerland...	'84	8.60	8.09	15.83	8.59	14.05	5.53	0.86	2.21	4.56	2.33	24.51	267,488
	'83	8.86	8.53	14.77	8.72	13.65	5.38	0.70	1.93	4.02	2.38	27.20	273,886
UK	'84	27.83	2.87	5.52	5.43	16.16	3.42	17.66	0.82	1.47	3.38	11.31	1,749,650
	'83	28.91	2.77	5.62	5.87	14.63	3.51	18.01	0.75	1.43	3.42	10.83	1,791,698
W. Germany	'84	12.27	4.58	27.90	4.00	16.28	3.56	0.31	9.76	6.66	0.64	12.04	2,393,929
	'83	11.87	4.18	28.27	3.79	18.49	3.69	0.20	10.14	6.41	0.63	10.56	2,426,774
Total	'84	12.83	12.70	12.07	11.53	11.32	10.92	3.87	3.25	2.92	2.35	10.30	100
	'83	12.48	12.11	11.77	11.75	11.09	12.65	3.84	3.28	2.92	2.22	10.05	100
Units	'84	1,297,829	1,284,940	1,221,444	1,166,817	1,144,911	1,104,911	391,468	329,014	295,071	237,564	1,041,780	10,116,292
	'83	1,301,615	1,262,691	1,227,098	1,224,965	1,156,624	1,318,674	400,388	341,703	304,093	230,978	1,047,323	10,425,284

* Full Greek break down unavailable.

Source: Automotive News.

Assembly versus manufacture criticism annoys volume makers

Imports push up to 60 per cent

The UK
JOHN GRIFFITHS

NEW CAR sales in the UK have been running at near record levels throughout this year, with 943,635 sold in the first half. But imports, at just under 60 per cent of the total, are at a far higher level than for any other major industrialised country with its own car industry.

In the past 12 months, increasing attention has been paid to an extra element in the imports equation—the declining UK-sourced components content of many cars listed officially as "UK produced," reflected in a 10 per cent increase, to 2.45bn last year, in the bill for imported components.

Mr Dan Jones, Senior Research Fellow at the University of Sussex Science Policy Research Unit and a participant in the Massachusetts Institute of Technology's "Future of the Automobile" programme, caused something of an outcry from General Motors' UK subsidiary, Vauxhall, and Ford earlier this year when he pointed out that "tied" imports of components had increased to 9 per cent of the new car market by the end of last year, lifting the true import penetration figure to 66 per cent.

Vauxhall and Peugeot Talbot, he insisted, "have ceased manufacturing cars in the UK and assemble imported kits with a very low level of UK components." For the multinationals as a whole, only one-third of their sales by value originated in the UK.

Ford in particular took strong exception to the tenor of Mr Jones' remarks, on the basis that its own imports of cars and components stabilised some years ago, and that they are offset substantially by exports of major components produced at its British plants to continental ones.

For example, about 90 per cent of its car diesel engine production at Dagenham, now approaching 200,000 units a year, are exported, while the same can be expected of a new 200,000 plus units a year of a new lean-burn engine in which Ford is investing $157m at Dagenham.

Mr Jones was particularly scathing about Vauxhall. Its doubling of market share in the UK over the past four years to about 17 per cent was entirely accounted for by imports. When the imported components content of its UK-assembled cars was taken into account, its UK content of total new car sales fell to 26 per cent —"At this abysmal level . . . it is questionable whether GM can any longer be regarded as a UK producer."

If the trend continued, "then a clear conflict of interest emerges between the recent strategy of GM in the UK (as part of its global aim of overtaking Ford outside the U.S.) and the UK national interest in preserving what is left of its UK motor industry.

"Having seen employment fall from 510,000 in the year of 1973 to 282,000 in 1984, the Government cannot stand back and let the actions of GM put the jobs of thousands in the UK motor industry in jeopardy."

GM, however, can argue that it is acting positively by retaining assembly in the UK, with at least the long-term potential for its UK operations to play a larger role in world operations. For as analysts Automotive Research and Management consultants warn, the economic justifications for Ford, GM and Peugeot Talbot to keep open all their UK assembly plants look increasingly tenuous against the background of overcapacity in Europe of at least 2.3m cars a year.

Nor is increasing overseas content confined to multinationals: Austin Rover is increasing its purchases of engines from Honda while it also takes transmissions from Volkswagen.

Austin Rover, despite now having a full range of competitive volume market models, is still finding recovery a very difficult business indeed. Its production actually fell last year, to 383,325 from 445,365.

The output picture changed dramatically in the first half of the current year, when production jumped to 257,000. But despite being the only one of the UK "Big Three" manufacturers to increase unit sales in the first half, it has been unable to take its market share, hovering at the 17-18 per cent level, closer to the hoped-for 20 per cent.

As a result, it is giving its production workers an extra week's break and cutting back production schedules by 10 per cent, to allow stocks to be lowered.

Austin Rover's exports also fell last year, and from making a marginal trading profit in 1983, the company dipped back into a $26m loss. It needs annual sales of about 435,000 cars to start to trade profitably.

However, the company says it believes the export situation can be retrieved this year, with potential sales of 110,000 vehicles. If, as many expect, the UK market this year reaches 1.75m units and Austin Rover can achieve a 19 per cent share, it should once again be able to make a marginal profit.

But this is far removed from the 600-650,000 units believed necessary for it to generate sufficient profits to finance all its new investment needs and achieve the government's ultimate goal of Austin Rover's return to the private sector.

In the short term, investment needs can be expected to be met from the privatisation of Unipart, the parts and accessories division, within the next 12 months, and from borrowing now that the long-delayed corporate plan has been approved (also giving the go-ahead for a new engine, the K-series which will allow Austin Rover to maintain its engineering integrity).

And there are other positive factors: early next year, its XX executive car, developed and being built jointly with Honda, is to be launched, which will take Austin Rover back into the U.S. for the first time since the end of the 1970s. Apart from the 20,000 it hopes to sell initially in the U.S., rising quickly to 40,000, it can expect the XX to reverse the fading fortunes of its existing large Rover range in the UK and on the Continent. Austin Rover will also be building Honda's version *for sale in* Europe (Honda will be building Austin Rover's model in Japan).

Also, Austin Rover is expected to use some of its underutilised 750,000 cars a year capacity for the assembly of other Honda cars. Initially, this output is expected to be small, perhaps 4,000-5,000 a year of the Ballade model which Austin Rover already produces as the Rover 200 series. If the initial project is successful, this operation could be expanded substantially although it is not expected to make Honda change course from what are understood to be long-term plans to set up its own production facilities on the 367-acre site it has acquired at Swindon, Wiltshire.

Some of the investment pressures are now also certain to ease as the result of a new collaboration agreement with Honda, on a medium-sized car for the end of the 1980s code-named YY and which will replace both the Maestro and Rover 200.

Taken together, these developments could provide Austin Rover with a viable long-term future. But its experience to date underlines just how severe the problems have become, for all volume manufacturers, in terms of too many cars chasing too few buyers.

Ford, long the clear UK market leader, has found the going little less tough. Its UK production fell quite sharply last year, to 273,765 from 318,675.

Its response to critics like Mr Jones is that it could satisfy virtually all its UK market needs with British-built cars, if only it could increase the productivity of its UK plants in line with those on the Continent. But its problems have been compounded by the fact that it has been unable to sustain its traditional 30 per cent of the market in the face of stiffer competition, particularly from Vauxhall's main "fleet" car, the Cavalier.

By the end of the first half of this year, its share was standing at 26.2 per cent. Between Ford's determination to stay as close to the 30 per cent mark as it can, Vauxhall's no lesser determination to narrow the gap and Austin Rover's desperate need to increase market share, it should be no surprise that the discounting and other incentives schemes employed to attract buyers have not abated this year and show no prospect of doing so in the near future—with all their detrimental effects on profitability.

And the situation could be worsened for the UK producers by EEC legislation, now coming into effect, under which prices need to be kept within a band of 18 per cent throughout the Community. This ruling is expected to have a drag-down effect on prices—and profitability—throughout the EEC.

Vauxhall's production also went into decline in the UK last year, to 117,115 from 126,525 in 1983. Its indications to the Government that the situation would improve once the latest Astra model began assembly at Ellesmere Port have not so far been realised, partly because production at the new, highly automated plant ran into teething troubles and has been slower to build up than expected.

There are clear signs that Vauxhall's meteoric climb up the sales charts for the moment has reached a plateau around its current 17-17.5 per cent level. Two explanations being put forward by some industry observers are that the new Astra has not been received as enthusiastically as Vauxhall might have hoped, and that the Cavalier is now beginning to appear dated.

Peugeot Talbot's fortunes in the UK have declined to the point where it now accounts for only just over 4 per cent of the total market, with the bulk of sales provided by the wholly-imported 205 model rather than UK-assembled cars such as the Minx and Rapier (formerly Alpine and Solara).

Its UK production last year fell to 95,120 from 120,505—about 70,000 of this represented by sales of Peykan kits to Iran. This business is proving fragile, with difficulties over letters of credit causing large fluctuations in output at the Stoke plant where they are produced. However, Peugeot Talbot stands some chance of a revival with the launch later this year of the C28, a mid-range hatchback which is to be assembled at Ryton as well as in France, and in which some £50m is being invested.

Next year the market will become even more competitive, when Nissan's UK assembly plant, at Washington, Tyne and Wear, goes into production with an initial output of 24,000 cars a year. These assembly-only cars will come off Nissan's import quota. But Nissan is already making use of "assembling in Britain" slogans in its advertising, and is almost certain to proceed with a scheme to produce at least 100,000 cars a year in the UK.

Production at this level is not likely to start until towards the end of the decade. But it raises the prospect that the all-important fleet market, which has so far ignored Japanese cars, will consider them in future. It is hardly a prospect which the UK's existing producers can relish.

Discounts cut home margins

Japan

IAN ROBERTSON

INTENSE competition in Japan—sparked off by a downturn in demand and an aggressive drive by Nissan to regain its lost market share—could have a widely disruptive effect on the country's vehicle industry. Buoyant earnings from the U.S. market have shielded producers so far but even there the competition is building up and with the threat of a downturn in 1986 recent record profit returns could be in jeopardy.

Most vulnerable are the Isuzu, Daihatu, Subaru and Isuzu, Daihatus, Subaru and Suzuki. With higher manufacturing costs they have less flexibility in earnings as well as weaker distribution networks. The costs of more ambitious marketing efforts and widespread discounting is taking its toll on domestic margins.

Nissan is believed to be underwriting significant losses on its car sales in Japan and the only producer said to be making any real profits from the domestic market is Toyota and still suppliers are digging deeper into their reserves to fund accelerated new model programmes (many in the "planned obsolescence" mould) required to keep abreast of the competition.

As a measure of this pace, Nissan alone is expected to introduce seven or eight new models this year and a record array of new models are *scheduled to be unveiled by* other producers at the forthcoming Tokyo motor *show*.

The impact of the intense competition is also spreading to *Japan's model mix*. Hard-pressed domestic dealers are more and more concentrating on upmarket models which carry larger profits and now manufacturers are reflecting this in the production mix at factory level. At the same time, standard cars are being upgraded or loaded with "*optional*" *extras* (power steering, air conditioning, sunroofs) to lift the value of showroom stock.

In the technology race, the pace has hotted up too—the first example of four-wheel *steering has just been unveiled* on Nissan's Skyline variant—and it is the build up of this sort of pressure, combined with U.S. demands which must *ultimately lead Japan's other* car producers to follow Honda into a more effective presence in the lucrative executive/luxury car sector.

At manufacturing level, the more urgent need to contain costs is already giving rise to a new extension of Japan's co-operative ventures. Mitsubishi, for example, has announced that it is to transfer all body production for its luxury *Debonair car to low-cost facili*ties in South Korea. From next summer, the bodies will be manufactured *solely* at Hyundai's Ulsan plant. Mitsubishi will then import the bodies and complete the assembly process in Japan.

In a similar move with its affiliate, Yue Loong Motor, Nissan is planning to re-export models which have been assembled in Taiwan. Combined *with domestic pressures*, any hint of a decline in U.S. profits can only accelerate this search *for low-cost* production bases while at the same time stepping up joint ventures with both domestic and overseas manufacturers.

Boosted by demand from women drivers and a rapid growth in the volume of multi-car owning households, Japan's new car market hit an all-time high of 3.14m units in 1983. Thereafter, a cyclical downturn set in, aggravated by recent changes in the *shaken* (compulsory vehicle inspection). In 1983, the interval between *shakens* was extended from two to three years with the result that, this year, people who normally sold their cars just before the *shaken* was due are hanging on to their vehicles for an extra year.

Increased vehicle insurance premiums from April 15 also distorted first quarter demand flow. After record sales in *March*, new *car registrations* plunged to a 6 per cent deficit in April. Since increased insurance costs affect wealthier motorists least, registrations of *more expensive imported* cars have continued to flourish—by mid-year they showed a 20 per cent improvement.

In total, however, half-year *sales in Japan have fallen* back by just over 1 per cent and there are reports of discounts averaging £450 before negotiation—rising to £550 with a little haggling. This represents about 20 per cent off the price of a Toyota Corolla.

The undignified scramble for market share has brought casualties among distributors—last year about 50 per cent of Japan's car dealers recorded a deficit—but at the marketing level innovation abounds. Mitsubishi, for example, has just devised an Amista version of its Minica model aimed *specifically* at young women customers. It is successfully being sold by Senju- kai, a mail order house specialising in young women's clothing.

From under 41 per cent, *Toyota has lifted its market* share to 43 per cent over the first half of this year. Several model changes and rapid improvements in the technical *specification of its range have* been well received by customers in Japan.

Toyota also maintains a larger sales force than Nissan and was therefore well-placed to take advantage when its *arch-rival became immersed* in overseas ventures. Nissan's attempts to fight back by upgrading cars and then cutting prices have met with mixed results. Market share is down by 1 per cent to 25 per cent.

To some extent, the company appears to be paying the penalty for a more international approach to vehicle styling—a strategy now being amended to accommodate greater local variations in tastes. The biggest recent casualty has been the Stanza. Designed in the modern European mould, it proved unpopular in Japan and was recently restyled as a result. (A mistake *in overpricing* the model *did* not help.)

Sales of Mazda's conservatively rebodied 323 range have been disappointing, and Mitsubishi has also lost market share due to shortcomings in both model range and dealer network. But for Honda, a revitalised model line-up and the addition of the Primo dealership network are supporting rapid growth—and a further boost is in prospect with the autumn launch of HX models.

OVERSEAS

Following the removal of U.S. restraints, both output and exports from *Japan look set* to reach record levels in 1985. The Economist Publications (Japanese Motor Business) is forecasting a 3 per cent lift in production to 7.26m cars, supported by a 7 per cent increase in exports.

First-half shipments to the U.S. comfortably exceeded the 1m mark. Exports to China surged ahead from 1,500 to over 60,000 cars (but profitability from this sector is low and there are signs that this phenomenal growth is moderating). Together, the U.S. and China have more than outweighed a downturn in exports to the Middle East and Europe.

In its drive to reduce dependence on built-up exports, Japan is en route to a 1.5m assembly capacity in the U.S., representing about 20 per cent of total U.S. output. Additional *schemes now* beckon in China, India, South Korea — and Europe—and in South America the potential for setting up further components facilities remains considerable.

Most recently, Toyota has laid plans to set up its own manufacturing base in the U.S., capable of producing 200,000 cars a year, most probably Cressida *or* Camry models. A plant in Canada will add a further 50,000 units. Following the failure of its Taiwan approach, the company is also reported seriously to be eyeing the Chinese mainland.

As well as progressing its UK venture, Nissan has increased its presence in Taiwan. First exports of VW Santana models got under way to South East Asia from Nissan's Zama plant in July.

Mitsubishi is fostering its ties with South Korea and, in India, Honda has paved the way for a joint car production deal. Isuzu is negotiating with GM for production of its 4WD Trooper *model in the UK; Subaru has* just completed a feasibility study for a U.S. car plant; and in South Korea Mazda has joined with Ford and local producer Kia to manufacture a new range of medium passenger cars.

Reflecting their performance on Japan's domestic market, Toyota's production is continuing to show strong growth while Nissan, suffering from a lukewarm response to recent model introductions, is showing a first-half deficit. Honda is consolidating last year's move up Japan's league of producers, ahead of Mazda, while among the specialists Subaru is looking to U.S. shipments of its 1 litre Justy model to reverse a 5 per cent decline in output.

Weak domestic sales and the impact of U.S. restraints on "R" car production forced a 24 per cent cutback in car output at Isuzu factories in 1984. Now the company's new Hokkaido plant is rapidly building up production levels to meet a surge in demand not only from the U.S. but from new overseas ventures in Canada and Europe.

Worldwide car sales by major manufacturers—1984

('000)

	U.S.	Canada	Japan	West Germany	France	UK	Italy	Rest of Europe	Other countries	South Africa	Mexico	Brazil	Other Latin America	Total
General Motors	4,588	346	2	390	76	283	53	321	108	21	18	153	92	6,450
Ford	1,979	143	1	294	138	487	73	309	153	38	27	114	134	3,890
Toyota	558	68	1,275	53	13	33	0	129	90	59	0	0	39	2,317
Volkswagen-Audi	249	26	16	668	98	97	97	283	1	28	78	232	31	1,881
Nissan	485	43	805	58	15	106	0	108	61	24	44	0	21	1,771
Fiat	0	1	2	110	97	50	888	143	1	0	0	58	66	1,415
Renault	12	14	0	85	545	60	146	272	1	14	19	0	118	1,287
Peugeot-Citroen-Talbot	20	0	1	96	582	95	109	287	2	3	0	0	37	1,232
Chrysler	987	147	0	0	0	0	0	0	0	0	31	0	39	1,204
Honda	508	71	246	38	8	19	0	50	19	11	0	0	0	970
Mazda	170	22	215	63	15	18	0	105	36	25	0	0	0	668
Mitsubishi	131	12	198	44	4	11	0	53	63	5	0	0	0	521
Daimler-Benz (Mercedes)	79	4	7	234	19	14	15	50	4	15	0	0	0	442

Source: DRI International Automotive Services.

Sights are set on record production

West Germany

JOHN DAVIES

THE WEST GERMAN car industry has set its sights on record production this year, as the home market recovers from the turmoil and confusion created by plans for tighter emission controls.

With remarkable resilience, the car industry has come through a testing time during the past couple of years and the mood now is generally more positive.

While domestic sales are picking up, exports are still running at a record pace, buoying up earnings. As the more successful producers strain to increase capacity, the industry is continuing to hire more workers—a move welcomed in a country with well over 2m unemployed.

The industry is hoping that further momentum will be gained from the Frankfurt Show, where many producers will display or announce new models.

When the last show was held two years ago, the emission controls controversy was building up into the tortuous muddle which led to the recent European Community compromises. *In the midst of this saga*, car assembly was disrupted, in May-June last by seven weeks of strikes, lock-outs and layoffs over demands for shorter working hours.

Although producers made up some lost output after the labour conflict, West Germany turned out only 3.75m cars last year, *down 3.2 per cent*. But now the industry believes that output this year could exceed 4m, breaking the 1979 record of 3.93m.

Exports are even better than anticipated and could reach 2.5m this year, compared with last year's record of 2.2m.

Exports have been a lifeline *for* some car producers affected by the recent slump in the domestic market. West Germany exported an exceptional 62.5 per cent of its car output in the first seven months of this year, compared with 58.9 per cent in the whole of last year.

The *nosedive in domestic* sales has been blamed on the Federal Government in Bonn and above all on Herr Friedrich Zimmermann, the Interior *Minister*. *Many motorists put* off buying new cars because they became totally bamboozled about the Government's emission control plans, especially when *some of Germany's* EEC partners refused to go along with the plans in full.

As a result, new car registrations in West Germany in the first quarter were 17.1 per cent down on a year ago at only 570,120. This was a drop of 26 per cent from 1979, when 771,656 cars were registered in the first quarter.

But after the EEC agreed to introduce tighter emission controls in stages from October 1988 and then settled on the required emission *standards*, domestic car sales have been *forging* ahead.

New car registrations in July were a record for that month. In the first seven months this year, registrations were just 2.4 per cent behind the same period last year (although last year's figures were distorted by the labour conflict).

The fortunes of the various car makers have been influenced by the increased popularity of diesel-engined cars in West Germany. This has been one of the twists in the emission controls controversy, as a result of the uncertainty about controls on petrol-engine cars. Diesels made up to 20.5 per cent of all new cars registered in the first seven months this year, compared with 12.4 per cent a year ago.

With the market in confusion early this year, there were even fears among trade unionists of short-time working at some plants. These fears quickly evaporated, however.

The *motor* vehicle *industry* as a whole increased its workforce by 30,000 to 688,000 in the 12 months to last June and expects to hire 10,000 more workers by the end of the year.

Expansion is the order of the day at Volkswagen, West Germany's biggest car manufacturer, thanks largely to the success of the new generation Golf in European markets. The company is pressing ahead with plans expected *to* create 2,600 jobs in the second half of this year. Employees worked extra shifts in the first and VW has been looking closely at ways to squeeze out more production in the second half.

In contrast to other manufacturers, Daimler-Benz *has* steadily increased its home market sales this year—aided by the success of its compact 190-series models, and its diesel range. As it prepares for its automobile centenary year, executives have hinted that shareholders can expect generous treatment from this year's results.

BMW has been rapidly recovering ground in the home market *lately after* suffering a severe drop in orders. The setback touched off wide debate about BMW's model policy, although the company has come back with a series of new launchings, including a 3-series diesel model.

The upset in the local market has been another worry for Opel and Fordwerke, the U.S.-owned mass production car makers, both of which reported hefty losses last year. Although VW returned to profitability last year, *Dr Carl Hahn*, the chief executive, has been stressing the need for efforts to improve earnings.

At Porsche, the relative strength of the U.S. dollar *has* continued to buoy up profits. *The elite* sports car maker has been steadily if cautiously pushing ahead with plans to expand output and has built up its labour force.

Importers raise market share

ITALIAN CAR makers have a far higher share of their domestic market than those of any other West European country. In the first half of this year they controlled no less than 60 per cent of it.

Yet although virtually no Japanese cars are allowed into Italy, under an agreement dating back to the 1950s, the Italian manufacturers have lost market share this year. Only a year ago in the first half of 1984 they gained over 64 per cent.

What has happened since then is that both Fiat and Alfa Romeo have seen their market shares decline—Fiat's 3.5 per cent and Alfa's by 1.1 per cent. These falls in market share have been partially offset by a small rise in the market share of the Fiat group's subsidiary Lancia/Autobianchi.

But the gainers on the Italian automobile market are principally Renault, whose share went up from 9 to 10.5 per cent, and Volkswagen, up in the first half of this year from 4 per cent to 6.8 per cent. Renault has benefited from the popularity of its new Renault 5 on the Italian market, and Volkswagen no doubt gained price advantage thanks to the overvalued Italian lira before the lira was devalued in July.

Fiat is now shedding some of the gains it made with the *hugely successful Fiat Uno* since its introduction in 1983. and Alfa Romeo is losing the shine it temporarily gained from its Alfa 33 and Arna models. But for the moment the Italian motor industry presents—with one major exception—a bright face.

The European car market may be little better than static in terms of growth, but Fiat has *made it absolutely clear that it* is going to be one of the survivors of the European motor industry. Meanwhile, Italy's smaller, highly-specialised manufacturers, Maserati and Pininfarina, are doing well.

The exception is Alfa Romeo, whose future is even beginning to perturb Italian politicians, who until recently never let the Milan-based company's enormous losses cost them much sleep.

In fact, there is a painful contrast between the two sets of international negotiations involving Italy's two major car makers. Fiat Auto, the car subsidiary of the Fiat group, is talking to Ford Europe on a possible deal which ought at the very least to consolidate Fiat's position on the Continent.

Alfa Romeo is talking to General Motors about possible arrangements that could prove a form of salvation for the Italian concern.

The story of how Fiat from *1980 onwards got a grip on its* labour force, invested massively in factory automation and rebuilt its marketing network on sounder lines is a major turning point in Italy's post-war economic history. Fiat Auto

Italy
JAMES BUXTON

went into profit in 1983—at a mere L80bn ($43m) on sales of L11,307bn. Last year its profits went up to L235bn on sales rose 14 per cent to L12,878bn.

*Fiat's knowhow and self-*confidence is brilliantly displayed at its new engine plant at Termoli in south-east Italy. In this factory, reckoned to be the most advanced of its kind, the "fire" (fully integrated robotised engine) 1,000cc engine is assembled, checked and tested almost entirely by robots and computers. For an investment of nearly $400m, Fiat *is getting engines made* in less than half the time it takes in its older factories.

Fiat has been having serious discussion all this year with Ford Europe in an effort to find the basis for a joint venture that could range from close collaboration in components to joint car production—creating what would be easily the biggest car company on the Continent.

A merger of any kind could be of exceptional complexity, not least because although Fiat Auto considers itself a totally rationalised company with no fat anywhere, Ford Europe has hinted at reducing its own car-making capacity in Europe.

A crucial issue is who, if anyone, would head the joint venture: at Fiat's annual meeting in July Sig Gianni Agnelli, the chairman, pointed to Fiat's technical superiority in productive systems and small cars. Ford Europe, however, is a larger company.

Italian business leaders and politicians are not at all keen on any suggestion of control of the major Italian motor company passing out of Italy. Nothing that Fiat's senior managers have said recently would indicate that a deal is imminent.

Alfa Romeo *is* celebrating its 75th anniversary in a sea of uncertainties. Its market share in Italy is falling and some of its export markets—notably the UK—are nothing short of disastrous. Its managing director, Sig Corrado Innocenti, has left the company to join Enichimica, another state-owned concern, and there is no news about his replacement.

Nor is there any indication of how talks that have been going on for several months with General Motors of the U.S. are progressing. They appear to concern the possibility of marketing an Alfa car, probably the new Alfa 75, in the U.S. through the General Motors system. Such a deal would at least use up spare capacity at the company's Arese plant near Milan and could lead to other openings.

The whole question of Alfa Romeo's future has become pressing for Finmeccanica, the IRI subsidiary which controls it. Finmeccanica and IRI have just had to put in L206bn in new capital to cover past losses—Alfa has lost almost L500bn in the past five years—and the state is far less keen to go on shouldering such losses.

But soundings of foreign companies as Volvo and BMW as to whether they might possibly be interested in becoming involved with Alfa have apparently led nowhere, while the idea of further reducing the labour force from the present 41,000 would require considerable political courage.

However, Alfa is renewing its model range. This year it has brought out two new models—the Alfa 90 to replace the Alfetta and the Alfa 75 to replace the Giulietta. Both are as fast and dashing as one would expect from a company with such an illustrious name.

Europe's passenger car production—1984

	Belgium	France	Italy	Netherlands	Spain	Sweden	UK	Germany	Totals	1983	% change
VW Audi	—	—	—	—	—	—	—	1,510,449	1,510,449	1,384,663	9.08
Renault	—	1,429,138	—	—	214,786	—	—	—	1,429,138	1,639,405	−12.83
PSA	—	1,284,151	—	—	184,713	—	67,728	—	1,351,879	1,441,921	−6.24
Ford	212,896	—	—	—	262,099	—	273,767	539,779	1,288,541	1,339,584	−3.81
Fiat-Lancia	—	—	1,205,224	—	—	—	—	—	1,205,224	1,157,830	4.09
Opel-Vauxhall	—	—	—	—	259,971	—	117,114	776,486	1,153,571	1,307,354	−11.76
Mercedes	—	—	—	—		—	—	462,797	462,797	483,359	−4.25
BMW	—	—	—	—	—	—	—	412,447	412,447	407,507	1.21
BL	—	—	—	—	—	—	383,324	—	383,324	445,364	−13.93
Volvo	—	—	—	108,500	—	248,200	—	—	356,700	353,690	0.85
SEAT	—	—	—	—	255,324	—	—	—	255,324	223,887	14.04
Alfa Romeo	—	—	200,103	—	—	—	—	—	200,103	206,926	−3.30
SAAB	—	—	—	—	—	102,018	—	—	102,018	96,012	6.26
Porsche	—	—	—	—	—	—	—	44,017	44,017	48,288	−8.84
Jaguar	—	—	—	—	—	—	33,342	—	33,342	27,977	19.18
Innocenti	—	—	17,151	—	—	—	—	—	17,151	13,688	25.30
Maserati	—	—	6,180	—	—	—	—	—	6,180	5,333	15.88
Bertone	—	—	4,904	—	—	—	—	—	4,904	6,605	−25.75
Ferrari	—	—	2,841	—	—	—	—	—	2,841	2,366	20.08
Pininfarina	—	—	2,578	—	—	—	—	—	2,578	2,522	2.22
Rolls-Royce	—	—	—	—	—	—	2,201	—	2,201	1,568	40.37
Lotus	—	—	—	—	—	—	837	—	837	642	30.37
TVR	—	—	—	—	—	—	397	—	397	291	36.43
Lamborghini	—	—	231	—	—	—	—	—	231	184	25.54
Aston Martin	—	—	—	—	—	—	204	—	204	155	31.61
Reliant	—	—	—	—	—	—	135	—	135	105	28.57
De Tomaso	—	—	71	—	—	—	—	—	71	77	−7.79
Others	—	—	—	—	—	—	2,463	—	2,463	2,794	−11.85
Totals	212,896	2,713,289	1,439,283	108,500	777,394	350,218	881,512	3,745,975	10,229,067	10,600,037	−3.50

Source: Automotive Industry Data.

Renault struggles to cut its record losses

THE SPOTLIGHT continues to *be heavily centred in France* on Renault, the state-owned car group struggling to restructure *itself* to cut losses which reached a record of FFr 12.55bn ($1.49bn) last year. As Peugeot, the private car group embracing the Peugeot, Talbot and Citroen car marques, now *appears to be finally out of the* woods, government and public attention *is* focused on its *troubled state rival*.

The government called in M Georges Besse, the chairman of Pechiney who successfully returned the nationalised aluminium group to profit, to resolve the problems of Renault at the beginning of the year.

M Besse has now drawn up a draconian restructuring plan largely designed to recentre Renault *around its traditional* can manufacturing activities, cut costs wherever possible and generally reduce Renault to a more manageable economic size.

The new prescription to return Renault to better health are large-scale job cuts in the group's French car division involving 21,000 car workers between now and the end of next year. Production, which *in the heady days of Renault's* expansionary phase was due to rise to as many as 2.5m cars a year in the second half of the 1980s, will now be reduced to a capacity of 1.6m cars a year by the end of 1987 with a a production target of 1.5m cars a year.

M Besse says that the break-even point for *his group will* drop to 1.2m cars a year, a production level below which the company would lose money. Renault last year, with production capacity of about 1.8m cars, produced only about 1.4m. With a break-even point of around 1.6m cars it is not difficult to see why Renault has been losing so much money of late.

M Besse has also negotiated fresh financial support *from* the state to help restructure the group's balance sheet. Further injection of funds have come from the sale of some assets including a 51 per cent stake in a car electronic components venture while Besse has sought to make savings wherever possible.

For example, Renault has now decided to drop out of sponsoring a bicycle racing *team and is considering* whether to go on sponsoring a motor racing team.

Renault does not expect to return into the black for some time. The restructuring process will inevitably take time and is made more difficult by a

France
PAUL BETTS

sluggish French car market and tough competition in Europe.

Making M Besse's task even harder is the fact Renault is restructuring its operations at a time when its main foreign and domestic rivals have largely completed their restructuring and are making money again.

In the case of Peugeot, the private group after several years of heavy consecutive losses, managed to cut its deficit sharply last year to FFr 341m and is now expecting to break even this year. As a sign of renewed confidence Peugeot recently returned to the *equity market* after a 23 year absence with a FFr 925m new shares issue.

Peugeot's recovery has been spearheaded by the commercial success of its new Peugeot 205 supermini and the Citroen BX medium-sized car which has recently taken more than 7 per cent of the French market. The 205 has gained more than 15 per cent of the French market and overtaken its rival the Renault 5 as the top selling small car in France. But after a slow start, the new Renault 5, known as the "superfive," is consolidating its presence in the market.

The Peugeot recovery follows several years of restructuring to absorb and adapt the acquisition of Chrysler's European operations *at the end of the 70s*. This proved a costly operation. But after major restructuring of other European operations, Peugeot tackled its restructuring problems on its French operations before Renault.

It reduced its workforce by 8.5 per cent from 181,500 in 1983 to 165,600 last year, completed the integration of its various manufacturing plants and is now seeking to reinforce its balance sheet.

In terms of new investments, it is due to launch a new Citroen mini car next year with the help of a FFr 2bn loan from the French Government's fund for industrial modernisation. Before then, it will launch a new medium-range car in France under the Peugeot brand.

This new car was initially due to be called a Talbot. But after the troubles of Talbot in France and the marketing damage these problems have caused the brand, the private group decided to call the new car a Peugeot. Moreover, the company is also clearly hoping to cash in on the success of the Peugeot 205. However, the new group has not yet decided how to call the new car in the UK where it will also be produced by its Talbot UK subsidiary.

After returning the Peugeot-Talbot division of the group into profit, M Jacques Calvet, the chairman of Peugeot and a former banker, now wants to see Citroen in the black next year. M Calvet's overall strategy is to bring down Peugeot's car production break-even point to 1.2m cars a year (which is the same level that M Besse is trying to reach at Renault) during the next three to four years.

The Peugeot group's current break-even point is 1.6m cars a year and it has already come down dramatically from about 2.2m cars.

Peugeot intends to maintain *its existing production capacity* in the UK and Spain as well as France, but has no ambitions to create more capacity except when this is the only way to gain entry into a new market. But M. Calvet says he wants Peugeot to become more international by exporting more cars to new markets, including in particular North America and the Far East.

On the French market, Peugeot now has the lion's share with a 35 per cent penetration compared with 30 per cent for Renault. But with also about 35 per cent of the market, foreign importers have continued to weigh heavily on the French market where new car prices have been deregulated by the Government this summer.

Weak sales force EEC dependence

SPAIN'S CAR industry finds itself in a paradoxical position on the eve of the country's EEC entry. From outside the Community, Spain has already become the European car producer most dependent on its exports to EEC countries.

This reliance has been growing as a result of a long recession in sales on the home market. For the six companies (counting the Peugeot group's Talbot and Citroen subsidiaries separately) involved in saloon car production in Spain, it is far from being a comfortable situation.

Spain is Europe's fourth biggest car manufacturer and will account for about a tenth of total production in the enlarged EEC, with a domestic market accounting for only about 5 per cent of the community's. To the overcapacity already existing in the EEC, Spain will be adding its own over-capacity of currently about 400,000 cars a year.

Sales on the Spanish market are believed to have picked up during the summer, but figures published by Anfac for the period from January to May showed a 3 per cent fall in registrations compared to the same five months last year.

Spain's tariff system—due to be progressively dismantled by 1993—keeps the penetration of foreign cars relatively low at just over 12 per cent of the market, with Japanese cars taking less than 0.7 per cent. But imports, led by the General Motors group since its agreement to start manufacturing in Spain three years ago, have been climing aparce: a 21.7 per cent increase in the first five months.

Volkswagen plant in Brazil. VW is using Brazil to supply cars for export markets in the Middle East and Africa because production costs are lower than in Germany

In these circumstances, the expansion opportunities for Spanish car factories lie almost exclusively in their EEC outlets—a growing dependence that Anfac regards as its Achilles' Heel. "The risk of instability threatening our production is already too high," it said in a report earlier this year.

The weak home market has led to deteriorating results at most of the companies. These in turn have led to heavy financial charges, which reduce their room to manouvre. Fasa-Renault, the Spanish subsidiary of the French state-owned group, which was until recently the biggest producer, saw its profits whittled right down last year as its output fell by almots a quarter. Struggling with the country's notoriously rigid labour rules, it wants to shed 1,200 of its 21,000 Spanish workers.

Together, the six car makers lost about Pta 40bn (£175m) last year, or about £140 for every car or light van produced. The bulk of this was accounted for by a Pta 36bn loss at Seat, the sole Spanish-owned company, whose parent group the state holding company INI, is in the process of negotiating with Volkswagen for the West German manufacturer to take financial control.

The one exception to the poor performance was Ford Espana, which registered a Pta 12bn net profit, its highest to date. However, this result was entirely due to Ford's distributing more Spanish-made cars in the European market, thereby enabling the company to make more efficient use of its Valencia plant. On domestic sales Ford, too, lost money.

Spain

DAVID WHITE

Last year exports passed the mark of 60 per cent of total production — "ahead," Anfac pointed out, "of such typically export-oriented countries as Japan or Germany." Further the percentage of these exports that went to the EEC rose from 87 to 91.

In the first five months of this year, exports rose by 17.6 per cent the same period last year. Out of total car sales of 538,500, 62.4 per centwent abroad. The rise was led by Talbot with its production of the Peugeot 205 and by Seat with its first own-design small car, the Ibiza.

Seat has reported a 50 per cent increase in its exports up to July, with production during this period at its highest level for eight years. Exports of its second own-design car, the medium-sized Malaga saloon, are just starting, and the company plans to launch another, sportier model on the U.S. market in 1988 or 1989.

Its agreement with Fiat, its former partner for 30 years, runs out at the end of this year, but Seat will continue to send further consignments of Panda cars to the Italian group.

Thanks to the surge in exports, which also include Volkswagen Polos made under the two companies' manufacturing agreement, Seat says its operating results have been positive for several months. The company is trying to catch up in productivity with the other producers.

Since the crisis in its marriage with Fiat in 1980, it has already reduced its workforce from 34,000 to 23,000 and is planning to cut back several thousand more (the exact number being one of the trickier points under discussion with Volkswagen).

Spain's EEC entry agreement allows seven years for the dismantling of import traiffs, and will therefore protect the Spanish industry from an overnight invasion. A reduced-tariff quota of 32,000 EEC cars has been set for 1986, extending a system that has been in operation for the past two years.

SEAT, the state-owned Spanish group, aims to inject Mediterranean styling and German engineering into the new models it is developing following its "divorce" from Fiat. Hence the Ibiza (above) was styled by Giorgio Guigiaro of Ital Design in Italy and is powered by an engine developed with the help of Porsche of West Germany.

In the medium-term, prices of imported cars relative to those of locally-made cars can be expected to come down. But on the other hand, EEC membership also promises to reduce production costs in Spain. Current rules stipulating 60 per cent Spanish content will disappear in favour of a Community-content regulation after four years.

Big upturn as price controls continue

Brazil

ANN CHARTERS

BRAZIL'S MOTOR industry has spent this year much like a roller coaster. The year opened with moderate optimism as the major car manufacturers closed their 1984 balance sheets in the black after years of losses.

Expectations then plummeted in April, May and June as the industry was hit with its longest strike in history and Brazil's new government continued price controls on domestic car sales.

The next month brought a dramatic upturn as July's domestic vehicle sales reached the highest unit figure in four and a-half years. Car manufacturers were once again optimistic, yet cautious, as to how durable the latest peak would be.

Anfavea, the vehicle manufacturers' association, reported July's domestic sales at 74,415 vehicles, the best monthly performance since December 1980. Passenger car sales totalled 56,600 units, showing the strongest recovery, up 38 per cent over the previous month and 45 per cent over the same month last year.

Production for the month was also the highest since late 1980 with 76,790 cars rolling off assembly lines, responsible for 78.5 per cent of total vehicles manufactured that month. Passenger car production totalled 383,760 units for the year through July, a slight upturn of 0.3 per cent over the same months in 1984.

Car manufacturers attributed the month's spectacular performance in part to pent-up demand from previous months when stocks went down to zero at many car dealerships. Strikes affecting the sector, and price disputes between car manufacturers and parts suppliers, meant that the more popular models were simply not available for purchase until July.

Price has added a strong incentive for buyers as well. Despite manufacturers' protests to the Government, price increases have been doled out sparingly since March. According to Anfavea's calculations, the average price of a passenger car lags behind overall consumer price increases by 11 per cent. Since the beginning of the year, car prices have risen 87.1 per cent compared with accumulated inflation of 116 per cent.

Domestic sales in August are expected to remain strong as buyers line up for bargains, followed by a return to more normal levels of 65,000 vehicles per month for the remaining four months of the year, as the industry recoups sales lost in April and May. This strong performance would return the industry to an anticipated 5 per cent growth for the year.

Despite healthy sales, lower profit margins continue to worry manufacturers as they keep up pressure on the Government's price control authority to permit the industry to slowly restore margins back to levels at the beginning of the year. Mr Edward E. Hagenlocker, president of Ford Brasil, is confident that the Government intends to allow the auto industry to recover its profit margins, albeit slowly to preclude igniting inflationary expectations.

The big four car manufacturers responsible for 95 per cent of vehicle sales domestically maintained roughly the same market share through July of this year compared to the same months of 1984. Volkswagen leads with 35.9 per cent followed by General Motors with 25.4 per cent, Ford with 22.3 per cent and Fiat with 11.3 per cent.

Compared to figures this time last year, Fiat improved its position from 8.8 per cent of local sales while Volkswagen slipped slightly from its 38.4 per cent share a year ago.

Cars fuelled by alcohol kept their leading position as the most popular choice, holding 96 per cent of all domestic sales. The government-subsidised alcohol price at the pump is 35 per cent below that of gasoline.

Export sales, in recent years the chief source of profits for the industry, have not yet recovered in volume terms from the effect of the long 54-day strike which delayed shipments abroad. As of the end of July, only 83,660 cars had been exported, down 2.3 per cent over last year at this time.

In value terms, auto vehicle exports totalled U.S.$832m, up 8.6 per cent compared to the first seven months of last year. With still five months of the year to run, the industry is optimistic that it will equal last year's export performance of $1.8bn.

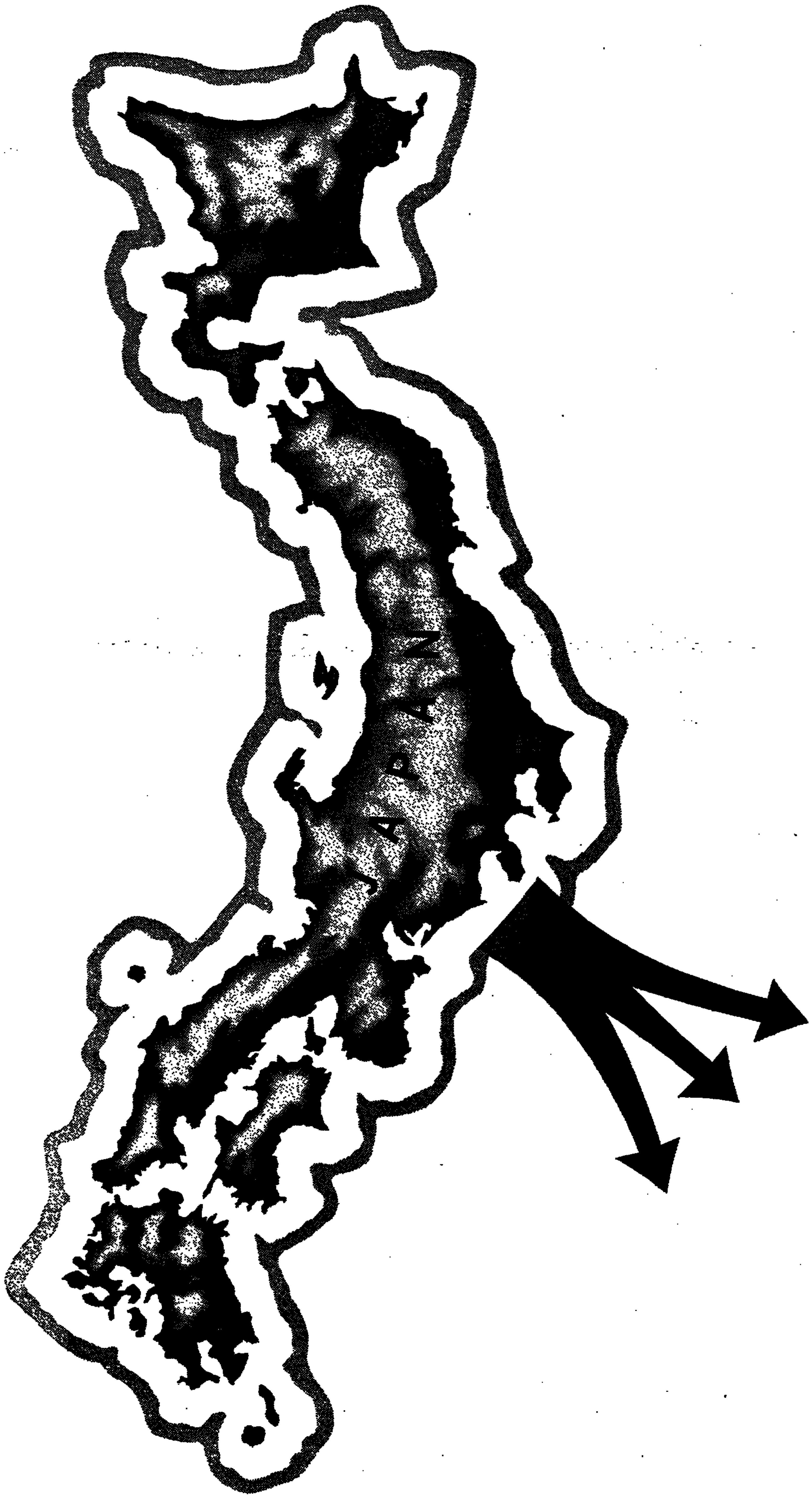
Brazil's car sales abroad are concentrated in Europe, the Middle East, Latin America and Africa. The Asian market, particularly China, is the target of increased marketing efforts from at least two of Brazil's manufacturers. The U.S. market absorbs engines and components, but no passenger cars as yet.

With Brazil's inexpensive labour, ample raw materials and excess manufacturing capacity, the car industry is well positioned to offer quality, low-cost vehicles overseas. This advantage has been especially important in markets where companies compete with Japanese vehicles. A recent United States Bureau of Labor Statistics report showed 1984 hourly wage levels for manufacturing industries in Brazil as 9 per cent of rates in the U.S., compared to wages in South Korea at 10 per cent, Mexico at 13 per cent, Spain at 37 per cent and Japan at 50 per cent.

Given this backdrop, the carmakers continue to programme increasing investments in the country. Ford has under study new investments totalling $250m before 1990 and Fiat is considering investing $150m annually over the next three years.

With the change in Brazil's government and its difficulties in long-term economic policies, these companies have put investment plans on hold for now until a clearer picture emerges as to where the government's economic strategies are likely to lead.

In the last 11 years Nissans have been exported by a small island with a highly skilled workforce.



In Japan, the people who build Nissans have a variety of skills and they're encouraged to use them.

There aren't the strict job demarcations that have done the British motor industry so much harm.

New ideas and ways of working are welcomed.

So people are more involved, more satisfied, more employable, less bored and better paid.

There isn't a wide gap between managers and workers: the general manager of the Nissan factory in Tokyo wears the same work clothes as the men on the line.

And every morning, workers and management get together to see how they can make things better.

The relationship is friendly and constructive. There's also an agreement designed to make disputes unnecessary. Consequently there's never been a strike. No-one has ever been made redundant either.

As a result, the cars these people make are better. To the extent that every one has a 100,000 mile/3 year warranty.

In 1984, the 1,000,000th Nissan made the thirty-day sea crossing from Japan to England.

In fact, they've been the top imported car in Britain for eleven years running.

NISSAN

They don't half work.

In the next 11 years Nissans should be exported by a small island with a highly skilled workforce.

In England, the people who will build Nissans have a variety of skills and they'll be encouraged to use them.

There won't be the strict job demarcations that have done the British motor industry so much harm.

New ideas and ways of working will be welcomed.

So people will be more involved, more satisfied, more employable, less bored and better paid.

There won't be a wide gap between managers and workers: the general manager of Nissan's new Sunderland factory will wear the same work clothes as the men on the line.

And every morning, workers and management will get together to see how they can make things better.

The relationship will be friendly and constructive. Already there's an agreement with the AUEW which has been designed to make disputes unnecessary. No-one should ever need to be made redundant either.

As a result, the cars these people will make will be better. To the extent that every one will have a 100,000 mile/3 year warranty.

In the 1990's, over 100,000 Nissans a year should be made in Britain. Many of them will cross the sea to Europe.

In fact, they could very soon become the top imported car in Europe.

NISSAN

They don't half work.

Motor Industry 8

Kenneth Gooding reports on a plan for wide-ranging industrial and commercial partnership which has many implications.

Enthusiasm for Fiat-Ford joint venture 'merger'

NEWS THAT Fiat and Ford of Europe were talking about some form of co-operation did not create too much of a stir when it first leaked out. At times recently it has seemed as if nearly every company in the world motor industry has been talking to another about a joint venture and this was just one more round of discussions.

Gradually, however, it became clear that Fiat and Ford were discussing a very wide-ranging industrial and commercial co-operation. In Italy some observers are convinced that even some form of merger is a possibility.

The rumours talk of a joint company with a headquarters in Amsterdam or Paris. Fiat would own 49 per cent, Ford 49 per cent and the rest of the equity—to hold the balance—would be in the hands of a neutral bank.

The industry do not believe a merger is likely but there could be a deal to shake the European motor business to its foundations. Fiat chairman Sig Giovanni Agnelli was certainly enthusiastic about the prospect at his annual meeting in July.

He admitted that if the Ford talks are unsuccessful, Fiat would turn to another manufacturer—but not a Japanese group. "The Japanese belong to a different world," he explained.

Fiat has long been the proponent of European joint projects. The group is acutely aware that its predominant position in Italy, where it accounts for well over half of the total car sales and is by far the major producer of automotive components, makes it necessary to look outside Italy for partners and new technology it is not to become inbred or too inward thinking.

So far, though the outcome of its major joint ventures have been far from satisfactory from Fiat's point of view.

There was, for example, the project with Saab to develop a large, up-market car. Halfway through the venture Fiat's Italian rival, the state-owned Alfa Romeo joined the party. The outcome has been the car Saab calls the 9,000 at the top of its range and the Thema, produced by Fiat's Lancia subsidiary, both launched within the past year, to be followed by a Fiat-badged version, code-named Type Four, and then an Alfa variation.

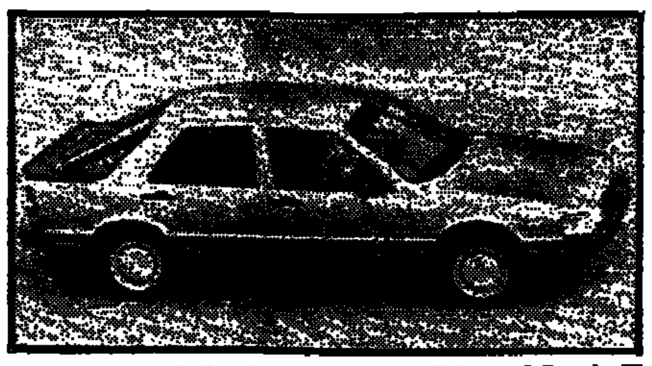
When the project was first conceived, the idea was for Fiat and Saab to share production of the components as well as the development work. But this admirable idea for producing in larger and more economic volumes failed to make headway because neither country would give up the jobs the extra productivity would have involved.

Fiat Auto's chief executive Sig Vittorio Ghidella explained: "This insistence by national governments that the work be done in their own countries has proved to be an insurmountable problem."

Consequently, with the launch of the new cars the joint Saab-Fiat venture is at an end. Saab's car division chief executive Mr Sten Wennlo, believes the effort was worthwhile in that it saved the equivalent of 2m working hours in development time and "led to greater thoroughness of the design effort."

Difficulties over job preservation also dogged Fiat's joint venture with Peugeot to produce a highly fuel-efficient small petrol engine which Fiat launched recently as the Fire 1000. Originally, Peugeot agreed that the engine should be produced at two identical plants, side by side in Italy. But when the Socialist Government came to power in France it insisted that at least half the production be in France.

Fiat spent $330m to bring the engine into production at Termoli in central Italy and Peugeot, strapped for cash, was not willing to find that kind of money. The French group had to invest heavily in new 1.6-1.9 litre petrol and diesel engines for the Peugeot 305 and Citroen BX models among others.



Above: the jointly-developed Saab 9000 (left) and Lancia Thema are to be followed by Fiat and Alfa Romeo versions. Below: The Alfa Romeo Arna (left) and Nissan Cherry Europe stemmed from a similar joint project

The small engine Peugeot uses is made at Douvrin in a plant jointly owned with Renault. Peugeot says the Douvrin unit has been substantially improved and is doing well in its best-selling Peugeot 205.

It now seems extremely unlikely that Peugeot will ever manufacture the French equivalent of the Fire ("fully integrated robotised engine) 1000. That means Fiat Auto has had to change its plans slightly and incorporate facilities to make a 900 cc four-cylinder version of the Fire whereas the original intention was for Peugeot to produce a three-cylinder 800 cc engine for both companies to use.

The Fiat group also loses a lucrative contract for its Comau subsidiary which supplied the highly-automated factory for the Fire.

Technical rather than political problems have delayed the launch of another Fiat joint-venture product: a CVT (continuously variable automatic transmission) which at the preview two years ago Sig Ghidella described as "the transmission of the future." He did not know how right he was because we are still waiting for the CVT to be launched in a production car.

Fiat wants to use one version of the CVT in its Uno model and in the baby Lancia, the Y10. But Van Doorne Transmissie in Holland, which makes the key components for the transmission, has encountered enormous problems in starting volume production of the steel belt used in the CVT.

Van Doorne does not intend to make complete CVTs but just the pulleys and belts. Ford, General Motors and Subaru as well as Fiat have been waiting impatiently for Van Doorne to solve its problems.

But Fiat has already lost some enthusiasm because Sig Ghidella reckons the CVT will cost too much to be particularly attractive in small cars with low prices.

On the other hand, Fiat hopes that Ford will not lose patience entirely. Ford hopes to produce the CVT at its Bordeaux transmission plant in France for the Fiesta and Escort. If the volume builds to substantial levels the cost of the CVT components could fall—and thus Fiat would benefit.

Fiat and Ford are part-owners of Van Doorne, with the Dutch Government as the majority partner after the withdrawal of Borg-Warner, the U.S. transmission group, which opted out when it became clear the delays would involve more cash being required for Van Doorne.

It was understandable that Sig Ghidella up to about a year ago seemed to be very disillusioned about the whole joint-venture programme.

Now his enthusiasm has been rekindled by the talks with Ford. Certainly, if Sig Agnelli wants to reduce the Fiat group's dependence on the car business, the timing is perfect.

Fiat Auto has made a remarkable recovery from losses. It has its new model programme more or less completed and its share of the Western European market is riding high.

Fiat's dominance of the Italian market, and the fact that the Japanese car producers are almost totally excluded, has enabled the company—and its rivals—to obtain reasonable margins of profit in contrast to the position in most other European countries.

Who knows how long Fiat's luck will hold? Already this year the European car price war has spilled over into Italy. Will the Japanese be excluded from Italy for ever? There seems little doubt that the Japanese will be setting up European Community assembly sites soon and Italy will have a hard job to convince the rest of the EEC that vehicles produced in, say, Britain or Spain, are not "European" in origin and can enter Italy unchallenged.

One way or another the Japanese seem set to take what little growth there might be in future in the European car markets and will continue to nibble away at the European's export markets.

A Fiat-Ford grouping would change dramatically the European scene, however. At the start they would control 25 per cent of the West European car sales; would be able to dominate many individual markets and perhaps lead the Europeans out of the price war.

Sig Agnelli said: "I'm not worried about domination. I'm worried about weakness. When you have 25 per cent and all the others have 12 per cent, you are in a better position."

The industry's joint venture projects

Current car company joint venture projects include:

Volkswagen and Renault are developing and will manufacture in France two new automatic gearboxes: a small, four-speed unit for cars of the Polo, Golf, R5, R14 size; and a larger, computer-controlled one for the bigger Passat or R18-sized vehicles.

Honda and Austin Rover have jointly developed a luxury saloon, the XX. Honda will build both versions in Japan and Austin Rover will make both in Britain. The two companies have decided to extend their co-operation to the development of a new medium-sized car.

Austin Rover and Perkins are working on a diesel version of Austin Rover's "O" series engine.

Fiat and its Lancia subsidiary co-operated with Saab and Alfa Romeo in the development of a luxury car which has appeared first as the Saab 900 and the Lancia Thema. Fiat and Alfa Romeo versions will follow.

Alfa Romeo and Nissan have a joint company in southern Italy producing car bodies from Nissan panels which are then given Alfa mechanical components and trim. The cars are sold as the Alfa Romeo Arna or the Nissan Cherry Europe.

Fiat and Volvo of Holland are shareholders in Van Doorne Transmissie which has developed a continuously-variable automatic transmission (CVT) but has had great difficulty producing the components in volume.

Ford hopes to use the components for its own version of the CVT which it will employ in small cars and also sell to Fiat. General Motors, the Opel-Vauxhall group, will use the components for a CVT for medium-sized cars.

Toyota and General Motors set up a joint company, New United Motor Manufacturing Inc (NUMMI), to produce cars in California from Toyota components for sale through GM's Chevrolet division in the U.S.

Chrysler and Mitsubishi are to set up a jointly-owned factory in the U.S. and share the car output.

Renault, Peugeot and Volvo jointly own Franco-Suedvoisedes Moteurs (FSM) in France and share the output of its V6 engine.

Volkswagen and Daimler-Benz each owns 50 per cent of DAUG, a company which does research and development in the field of electrical engineering and electrical storage systems.

Mazda will supply technology and components to Kia of South Korea for a car which Ford will sell through its dealers in North America and Europe.

General Motors have provided finance and a car designed by its Opel subsidiary in West Germany for Daewoo to produce in South Korea. GM will sell some of the output through its Pontiac division in the U.S.

American Motors is providing technology and some components to Beijing in China which eventually will produce a Jeep based on American Motor's small CJ Jeep.

There are also several arrangements which do not quite fit the concept of joint venture. For example, Maserati will build a luxury car for Chrysler to sell in the U.S. Pininfarina will produce luxury car bodies for GM's Cadillac division in the States which will add U.S. mechanical components.

Seat is producing some Volkswagen models in Spain and Nissan is assembling the VW Santana in Japan. Austin Rover is building under licence a version of the Honda Ballade which is sold in the UK as the Rover 200.

Huge investment is enabling companies to produce faster with fewer workers, as John Griffiths reports.

Automated plants bring more savings

THE IMPACT within the motor industry of some of the new production technologies either recently adopted, or to be installed in the near future, can ben seen in these indicators:

● Ford is spending £157m to bring into production at Dagenham a new engine to be built at a rate of at least 20,000 units a year. In the past, such a project could be expected to employ well over 1,000 people. It will provide jobs for just 350.

● Fiat Auto, with its Termoli plant in Italy, has what is currently probably the most highly automated engine plant in the world producing a range of the new "fire" (fully integrated robotised engine) units used in the new Lancia Y10 small car and destined for some Uno and Panda models.

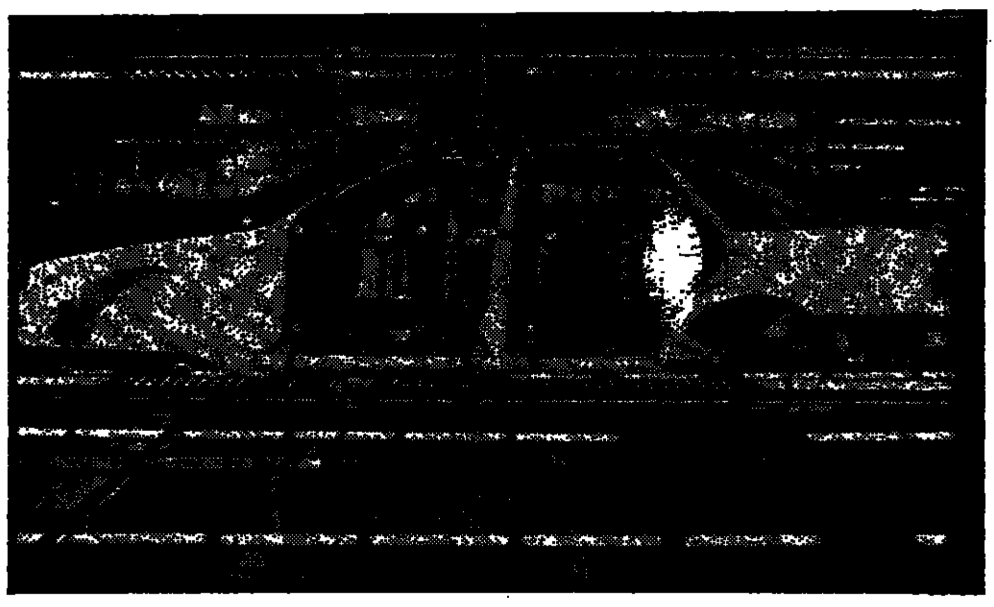
When its full capacity is realised, it should be producing one engine about every 15 seconds—or 572,000 a year—with a workforce of about 1,030.

It is also the first example of an engine and factory being designed together from the outset. It is 90 per cent automated. There are 78 automated work stations: only two manual ones. There are 56 robots and 92 programmable handlers. More than 100 computers control the assembly operations and data, and "talk" to the central computer at 16 different stages in the assembly process.

The net effect, says Fiat, is a plant which controls the production process itself, runs its own checks and issues its own approvals without reference to humans. Not only is the quality better, but it takes only a total of 107.5 minutes to produce an engine, against 231.5 minutes for the unit the "fire" engine replaces.

● Earlier this year, Peugeot Talbot in the UK started deliveries to Scottish and Newcastle Breweries of Peugeot 305SRD diesel saloons which were not in the manufacturer's catalogue. They were specially uprated cars for S and N management, with a different engine from standard and a different internal specification. Once assured that there would be a minimum order of 500, Peugeot ran them off at its Sochaux plant in France—a striking example of the marketing opportunities which can be opened up by the new flexible manufacturing technologies. The cars were believed to be the first "tailor-made" by a volume manufacturer for an individual customer.

Where these technologies will lead in the long term remains difficult to assess. Theoretically, the Termoli engine plant concept could be extrapolated to production of an entire car, even allowing for the particular problems of automating the assembly of the interior with its soft trim.



Scorpio production line at Ford's Cologne plant. The industry generally is moving slowly towards the future prospect of manufacture fully controlled by computers

Computer integrated manufacturing (CIM), which such a process entails, could lead — again in theory — to a paperless "factory of the future" in which not only cars would be built automatically, but production machines would monitor themselves and renew their own tooling, and component suppliers receive automated orders — even customers order their cars without reference to a showroom.

Such a *factory* is seen as a distant prospect, towards which the industry is still moving slowly. It should be seen in partial form with the Saturn project, General Motors' grand scheme for the production of a new compact car by highly-automated facilities on a green-field site in the U.S. (both Ford and Chrysler are starting similar projects).

The driving force behind such schemes is not just to produce more reliable, better-quality cars, but to reduce the costs advantage which the Japanese industry still has over U.S. manufacturers in particular.

Mr Dan Jones, senior research fellow at the University of Sussex Science Policy Research Unit, and a participant in Massachusetts Institute of Technology's Future of the Automobile programme, estimated a few months ago that a landed cost advantage enjoyed by the Japanese compared with U.S. producers of at least $2,000 per car is increasing, rather than decreasing. This despite progress already made in the U.S. with flexible manufacturing technology.

The gap with European producers is not so large. It was identified in 1981 as about $700 but since then, says Mr Jones, "much of this has been eroded by exchange rate movements between the yen and the main European currencies."

Percentage cost of making cars

	% of factory gate price
Purchased materials (steel, aluminium, plastics for the body and engine)	11
Stamping, welding, painting, trim and final assembly	24
Engine and transmission	12
General overheads (engineering, tooling, freight, administration, warranty, etc)	13
	60
Bulky components (wheels, glass, tyres, bumpers, exhaust, batteries)	12
Steering and suspension	6
Electrical components (fascia, instruments, lights, wiring, etc) ...	5
Other parts	17
	40
Total factory gate price	100

Industry sources.

What he doubts, however, is whether the introduction of such technologies will of itself do anything to close the gap.

Between 1970 and 1981, he points out, the Japanese reduced the total number of hours needed to produce a volume car from about 250 to 140, with further reductions since then. This compares with an average of about 200 hours in the U.S. and West Germany. "But it must be remembered that most of the Japanese management system was developed prior to the widespread adoption of microelectronically-controlled production equipment.

"The reduction in hours was achieved by fine-tuning the continuous flow production system, eliminating huge amounts of work in progress and inventories, savings in materials and waste, in maintenance, quality control and rectification as well as cutting out several layers of management."

So far, flexible automation has been introduced mainly in stamping, welding, painting and machining. The automation of assembly is expected to follow much more slowly. By Mr Jones' estimates, this initial investment in flexible automation concerned only about 10-15 per cent of the factory gate price of a car, with a net cost-saving effect of 3 to 5 per cent.

If trim, final assembly and engine and transmission assembly were also to be completely automated, further net savings of 7-8 per cent were probably achievable. If such automation was extended all the way through the component supplier chain, another 10-13 per cent saving might be realised.

"However," Mr Jones points out, "given the difficulty of automating every operation and the increase in indirect labour required, the total impact of flexible automation will almost certainly not be more than a total 10 per cent reduction in this decade, with probably another 10 per cent in the 1990s."

Much more significant savings could be obtained by adopting Japanese management systems which had been operating before the flexible automation revolution began. And since the Japanese themselves were adopting the same automated technology being pursued by the West, it should be obvious that the U.S. and European industry could not automate the Japanese cost advantage out of existence.

The pressure on manufacturers, on both the costs and innovation fronts, is intense. Japanese manufacturers have already reduced model cycle times to about four years, and as a result of fiercely-competitive conditions in their domestic market are cranking up the flow of new products even more.

Inevitably, this means that all manufacturers are looking for ways to keep their models as competitive as possible, not just in terms of better fuel economy, lighter weight and technical sophistication but to maintain buyers' interest in terms of novelty and style.

Earlier this year, BL Technology and Alcan Aluminium's research subsidiary jointly patented a production technology which could make the task considerably easier. They are describing it as the first known method for economical, high-volume production of car structures in sheet aluminium.

It should allow the volume production of cars with aluminium frames, the components of which are primarily adhesive bonded rather than welded. Body panels of plastic in turn would be bonded to the aluminium substructure. The resulting vehicle body would be much lighter than sheet steel and the car could therefore use lighter components, such as smaller engines, transmissions and suspension components.

No less important, the system would allow a variety of cheaply-moulded plastic panels to be used, permitting a wide number of body options on a single substructure. And the panels could be restyled virtually every year to keep the range fresh in consumers' eyes without heavy investment in new steel pressings.

A broader basis for continued growth.

1984 was another successful year for Daimler-Benz.

Thanks to the ability of the group to respond flexibly to changing circumstances, we were able to maintain our course of continuous growth.

Worldwide sales rose by DM 3.5 billion to DM 43.5 billion.

Among the decisive factors in achieving this gain were increased car exports and improved sales by our manufacturing companies in North and South America.

Substantial investments were made in 1984 to safeguard the future of the company, which now has a worldwide total of about 200,000 employees.

With our acquisition of all the shares in MTU and our investments in Dornier, we have expanded into new areas of activity.

Our emphasis, however, will remain on vehicle production.

The success of our car models.

Our 1984 output of 478,000 cars was slightly up on last year's total.

The success of our compact 190 series has been excellent, with 195,000 units produced – almost double the 1983 output.

In addition to the petrol-driven 190 E, the 190 Diesel has achieved a strong market position.

We are again demonstrating our competitiveness by introducing the medium-sized Mercedes 200 D – 300 E series.

Response to this completely new model line has been extremely encouraging and demand remains high.

Adverse market conditions in the commercial vehicle sector.

Some 211,000 commercial vehicles rolled off the group's assembly lines in 1984, a slight increase over the previous year.

Our companies in North and South America enjoyed production increases, but strikes and adverse market conditions kept domestic production below the 1983 level.

We have continued our policy of consistent product innovation and improvement in the commercial vehicle field.

Our new generation of light trucks was given the "Truck of the year 1985" award by an international jury and we have made our line of public transport vehicles even more attractive with a newly developed city bus.

Good prospects for the future.

With strong demand and expanded production facilities we are capable of increasing our car production to over 540,000 units in 1985.

In our commercial vehicle sector, domestic production is expected to stabilize at the 1984 level, while production abroad will continue to rise.

When, in 1986, we look back on 100 years of automotive history, we anticipate that our production, sales and results will provide additional reasons to celebrate.

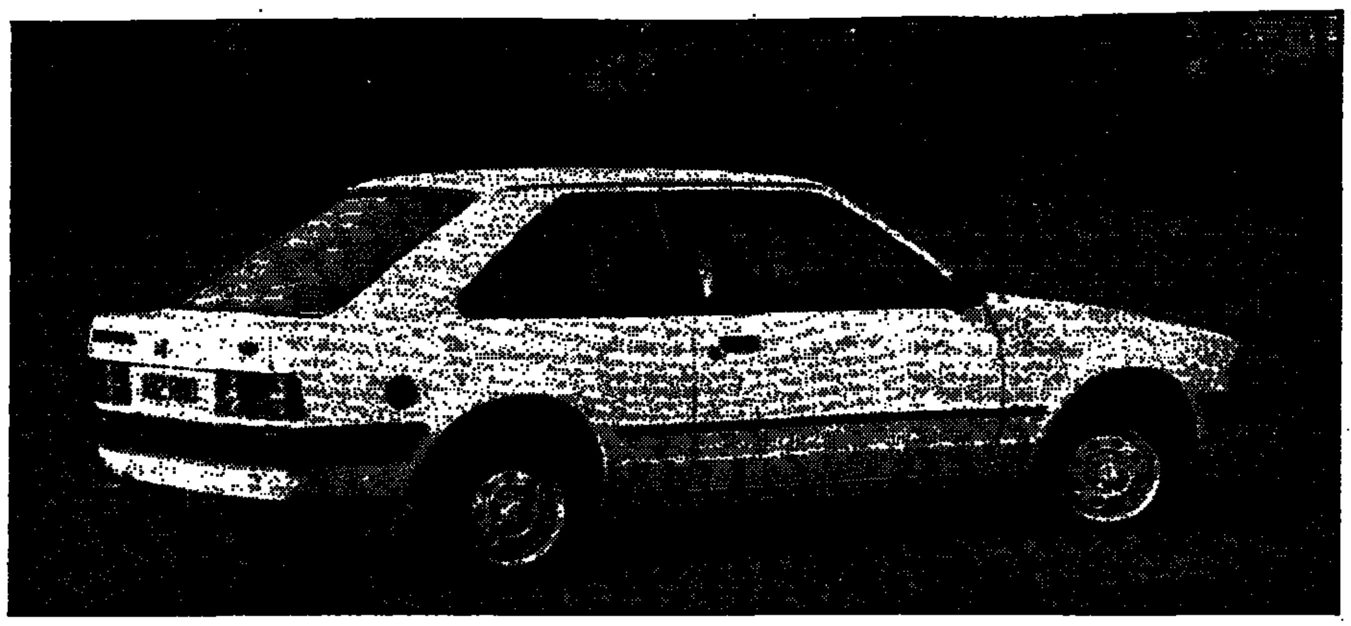
There is ample reason for everyone to look optimistically toward Daimler-Benz – customers, employees and shareholders alike.

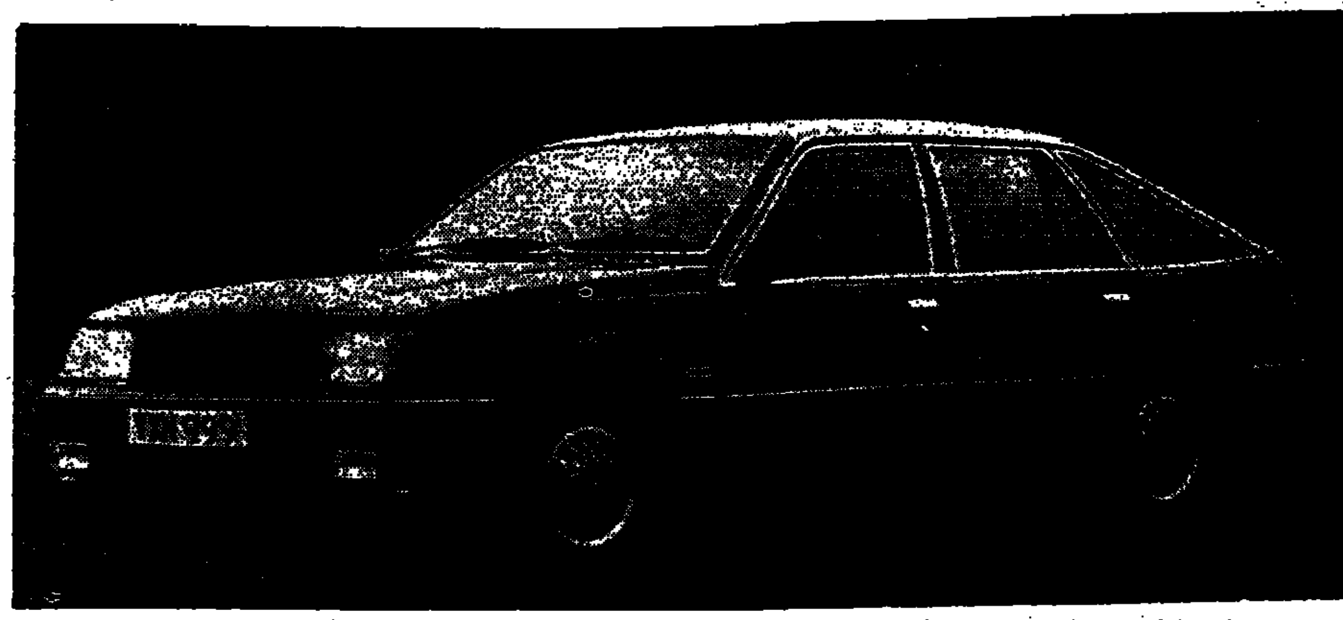
They may rest assured we will do our utmost to justify their trust.

DAIMLER-BENZ AG

Attempts by the big companies to concentrate on completely international vehicles have proved unrealistic, as **Kenneth Gooding** reports.

'World car' overtaken by protectionist climate





The first two world cars: Ford's Escort (left) and General Motors' J car—sold in Europe as the Opel Ascona/Vauxhall Cavalier. Both are selling well in Europe and the U.S.

THE "world car" concept provides a prime example of just how fast the motor industry is having to adapt. The first of the new world cars appeared as recently as 1980 but already the concept seems to be as old-fashioned and out-dated as a model T-Ford.

Protectionism, which threatens to become endemic in the industry and prevents the free flow of vehicles and components around the world, played a major part in the demise of the "world car."

In the beginning the concept was developed after the U.S. industry became involved in an expensive programme to "downsize" its cars. This was prompted by the drive for more fuel-efficient cars by the Government which laid down mandatory fuel consumption standards which the carmakers must meet or pay heavy "fines."

It seemed that the whole world would want cars of similar shapes and sizes whereas previously the Americans had preferred medium-to-huge ones while Europe and Japan demanded small-to-medium models.

Seen through the eyes of the multinationals, it appeared the world would accept a homogenous product—incorporating minor changes to account for local taste or legislation. The U.S. companies in particular looked at the electronic consumer goods industry—one of the best examples of an industry in which manufacturing and assembly have become truly international and which offers similar products in every market—to see what lessons could be learned from it.

Their research told the carmakers that it was likely that the future would belong to those companies producing vast numbers of vehicles — thus obtaining huge economies of scale—and which were able to shift a great deal of assembly to areas of the world where labour costs were low.

So the world car concept was born. The multi-nationals attempted to develop cars which, with minor changes, would appeal to most of the world's markets.

While it still made more sense for the motor industry to site final assembly plants in or close to the major markets, there appeared to be a good case to locate production of key components such as engines and transmissions at facilities in just one or two countries. They could them supply the assembly plants around the world.

From the outset this was obviously a complex process because the selection of the sites for the component plants had to anticipate exchange rate movements, tax regimes, size of domestic market and sometimes, local legislation affecting imports of fully-assembled cars—not just unit cost levels.

The multinationals pressed on, however, and Ford produced the first world car, the Escort, a vehicle designed to be suitable for every major market in the world. Ford certainly achieved that objective because the Escort was the world's best-selling car for the past two years. But the company did not aim to offer common components for the Escort in Europe and the U.S. version or for the Laser, the version built by its Japanese associate, Mazda.

Instead it opted for *compatibility* of componentry. If for some reason it ran short of engines in the U.S. it would have been possible to supply the U.S. Escort from Europe instead for example.

Ford found that it could not match Japanese costs with the U.S.-built Escort and it is likely that the model had never done better than break-even financially in the States.

The U.S. market did not take well to General Motors' world car, the so-called "J" car, sold with Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac badges in the States, and as the Opel Ascona/Vauxhall Cavalier in Europe.

GM did use world-wide sourcing of components from new plants; engine facilities were set up in Australia and Brazil while an Opel factory was revamped. All the manual transmissions for the "J" car were provided by Isuzu, the Japanese group in which GM has a 34 per cent shareholding.

The J car's reception in the U.S. was poor because the various versions were considered to be uninspired in design, under-powered and over-priced. GM "loaded" the cars with extras for which the customer was expected to pay in the basic price—after all, the group wanted to make a profit.

But Americans still considered that cars should be sold by the pound weight — the smaller the car, the smaller the price.

Renault in France also produced some world cars: the R9/R11. These medium-sized cars by European standards were developed to appeal to a wide range of tastes in Western Europe, to go into production by American Motors, Renault's U.S. associate as the Alliance and Encore, and in Taiwan for sale in the Far East.

Renault reckoned it had reduced the production costs of the R9/R11 enough to bring prices in the Far East within reasonable distance of those charged by the Japanese for similar models.

Too late, the French company discovered that, far from demanding cars of similar shapes worldwide, customers were looking for models which were distinctive. Those companies which had been expected to suffer severe problems in the era of the world car—those with relatively small production such as BMW, Daimler-Benz, Saab and Volvo — actually thrived because of this search for distinctive, "image" cars.

Some observers have a sneaking feeling that, if Renault had continued to produce cars that were distinctively French in characteristics rather than the homogenous R18, R9 and R11, it might not be suffering such big losses today.

All the world cars were also caught by the swing in demand in the U.S. back to medium and large cars. The vast majority of customers never did like the small cars and, once the real cost of fuel moved down again, they returned to the model sizes they really preferred.

So once again the North American market has separated itself from Europe and Japan in the style of cars it prefers.

It has also become clear that for the world car concept to succeed national protectionism in the motor industry will have to subside. Instead protectionism threatens to become endemic.

There are very few completely free flows in cars from one country to another. Governments find it hard not to intervene when they find an industry which creates so many jobs and so much wealth under threat from imports.

Developing industries such as those in Brazil and Mexico are protected by local content legislation and by the insistence that any imports are matched, dollar-for-dollar, by exports.

Motor industry protectionism has even taken root in that bastion of the free-enterprise system, the U.S., which imposed quotas on Japanese car shipments for three years. And in the UK, another country which advances the cause of free trade, not only are there long-term restrictions on Japanese car imports but the Government recently has been exerting considerable pressure on GM to produce more Vauxhall cars in Britain and to incorporate more UK components in them.

The pressure is being applied in spite of the fact that most of Vauxhall imports come from factories within the Common Market or from Spain which has a special relationship with the European Community before entry next year.

There are also commercial considerations standing in the way of another batch of world cars for eight or 10 years or so. The manufacturers must keep the old models in production much longer in Argentina, Brazil, Mexico and Venezuala than in Europe or North America because local content laws push up the investment required in the South American countries and it takes longer to get a payback.

Ford has adapted its approach to cope with this situation. Mr Bob Lutz, chairman of Ford of Europe, explains: "As it is impossible to do the same cars everywhere, in order to 'do things once' we try as much as possible to make as many mechanical components as interchangeable as possible.

"We are now routinely asking the question with every engine and transmission: Does it suit cars in all parts of the world? And we will do those studies even if there is no immediate apparent need to use the particular engine or transmission world-wide.

"There is absolutely nothing indecent about Ford of Europe designing a transmission for North America. Or North America designing an engine for Ford of Europe. And that type of thing is happening."

Also in the last five years some of the theories about the shape of the motor industry, which encouraged the world car concept, have been turned on their heads.

The Future of the Automobile study by the Massachusetts Institute of Technology brought the changes sharply into focus. Among other things, MIT pointed out that, far from wanting that homogenous car, customers were demanding many different varieties.

Manufacturers are reacting by filling as many different niches as possible—saloon, hatchback, estate, economy, sporty—all from the same base model. Modern production methods can cope with this fragmentation of demand.

But those modern production methods require heavy capital expenditure and the equipment needs to be operated by relatively highly-skilled people and are therefore more suited to the industrialised countries rather than the developing world.

As well as using more advanced automation the U.S. manufacturers are struggling to find other ways to match Japanese car production costs and are adapting some Japanese methods in the process.

GM and Ford have their own versions of the Kanban — or "just in time" — system which has enabled the Japanese to squeeze excess component stocks out of the car assembly process. The "just in time" approach relies heavily on suppliers being within easy reach of car assembly plants so that they can deliver components only when required and in the quantities demanded.

That system is clearly in conflict with the world car concept with its engine and transmission production points many thousands of miles away from the final assembly factory, possibly on the other side of the world.

There is no doubt that the multinationals will have to work out a compromise. The U.S. companies and Renault and Volkswagen in Europe will all have to provide a certain level of international sourcing if they are to cope with the local content and export requirements faced by their Brazilian and Mexican subsidiaries.

The multinationals no longer seem particularly committed to the world car concept and the Japanese have never shown any interest, preferring to keep as much valuable engine and transmission production in Japan even though they are being forced by protectionism to assemble more cars in other parts of the industrialised world.

Second thoughts about pollution controls

BY JOHN GRIFFITHS

IF RESEARCH being carried out by Stuttgart University biologists proves to be on the right track, then Europe's environment Ministers have spent much of their time barking up the wrong tree.

At the end of June, after much wrangling, an EEC compromise was reached setting out a timetable and strict new emission standards to control car exhaust pollution. The strictest possible standards had been sought by West Germany in particular, dismayed at the rate at which its forests are dying. By the middle of last year, the Bonn Government announced that 50 per cent of its forests were afflicted.

It was felt that pollution from car exhausts — principally nitrous oxides, hydrocarbons and to a lesser extent carbon monoxide—were a substantial culprit in that they produced photochemical smog, which can precipitate as acid rain.

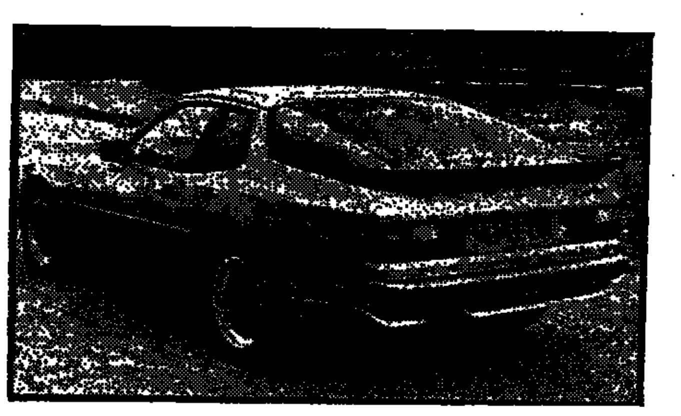
Not long after the standards were agreed, however, Professor Burkhard Frenzel said he had probably identified a virus which is the real killer. It has been found in sick trees in areas far from any apparent pollution and is not evident in healthy trees. Professor Frenzel's suspicion is that what is being witnessed is the return of a cyclical killer first located as a virus in spruce trees in the Black Forest in the early 1960s.

There are signs that even the government is not as wedded as it was to the idea that cars are mainly to blame, judging by a pamphlet from the ruling Christian Democrats which calls for continued research into tree deaths.

However, the pamphlet did observe that the action taken at EEC level on exhausts was worthwhile in that it would still be good for the environment and as yet there is no sign that the car manufacturers—now involved in a costly race to meet the new standards and the deadlines set for their imposition—have latched on to the Stuttgart reseach to persuade the environment Ministers to have second thoughts.

The standards finally agreed after 21 hours of non-stop negotiations at the final session—are designed in such a way as to have an impact on the European environment equivalent to the standards already in force in the U.S., where all cars are required to be fitted with three-way catalytic converters. The European standards, however, have been drafted to allow manufacturers to exploit an alternative technology to catalysts—the "lean burn" engine.

Such engines cut pollution in exactly the same way their name implies — by burning a fuel mixture containing a much higher proportion of air to petrol. A current "conventional" engine runs on an air/fuel mixture of about 14.5 to 1; an engine capable of running on a mixture of 22:1 is expected to be capable of meeting the new standards possibly with the addition of a simple oxidation catalyst.



Porsche's new 944 Turbo. Its engine, designed from the outset to meet the stringent U.S. regulations, delivers the same 220 hp output whether or not fitted with a catalytic converter, and can run on three-star petrol.

Most manufacturers would prefer to follow the "lean burn" route as such engines would not suffer from the slight power losses associated with full three-way catalyst systems, and would be considerably more economical.

However, there are severe technical difficulties in developing such engines. The "lean burn" effect is achieved through a combination of cylinder head designs aimed to induce swirling of the mixture and precise, electronically-controlled metering of the fuel supply. The swirl action is needed to overcome the extra difficulty the combustion flame has in searching out fewer fuel droplets. If combustion is incomplete, the level of pollutants will actually increase rather than diminish.

Each engine type needs its own design solution and finding the precise combination of swirl-inducing features would be all but impossible without the advent of computer-aided design facilities.

Considerable progress is already being made towards such engines. For example, Ford, which already has a unit operating on mixtures of about 18:1, is to launch a "second generation" unit likely to power the Escort shortly. And in July Ford announced that it is to spend £157m at Dagenham on the production, starting in 1987, of 200,000 units a year of a "Third generation" engine, understood to be of just under 2 litres, which would come very close to meeting the new standards.

Overall, however, the industry regards the final compromise rules with disfavour. They require that:

- Cars with engines over two litres should meet the new standards by late 1988 for new models and the following year for all production;
- Cars of under 1.4 litres have until 1990-91 to meet considerably less strict standards—on the basis that the smallest cars pollute the least;
- Cars of between 1.4 and 2 litres have until 1991-93 to meet the standards and have proved by far the most contentious. They account for about half of all car sales in Europe and that UK, French and Italian industries were particularly concerned that the standards should be set at a level which would allow a cheap form of lean burn engine to be used, one not requiring sophisticated electronic fuel injection to each cylinder but a single-point system.

At a meeting in March, the Ministers agreed that an extra cost of about £150 per car should be aimed for. This compares with about £500-£600 for a full three-way catalyst system.

The final standards mean that cars over 2 litres will have to use catalysts, a fact that the industry fully accepts.

But it has complained bitterly over the 1.4-2 litre category, the standards for which are stiffer than the guidelines set out in March. The probability is that cars with engines towards the upper end of the category will have to use more sophisticated lean burn systems, likely to cost as much as three-way catalysts.

Austin Rover has protested that they are likely to add about £1,000 to the cost of a car. Other manufacturers tend to see this estimate as being much too high. Nevertheless, Dr Carl Hahn, president of the Committee of European Car Manufacturers and president of Volkswagen, said the standards would mean a "significant increase" in the price of cars in the medium range.

There would be a further cost to the consumer in terms of poorer fuel consumption in cases where manufacturers could not develop adequate lean burn units by the required date and so had to use the catalyst alternative.

Daimler-Benz, makers of Mercedes cars, all of which are produced in catalyst-equipped form as a result of its heavy involvement in the U.S. market, has also attacked the "half-hearted" compromise.

Herr Hans-Jurgen Hinrichs said Europe had missed a great chance to take a common stand. He stressed that Daimler-Benz supported further steps to reduce pollution by cars but said that "an effective and calculable legal framework on a European level is required if real progress is to be made in this field."

Mercedes is taking a three-way approach to the new standards. It is already offering catalyst-equipped cars to West German buyers wishing to operate "green" cars now, and take advantage of the financial incentives which Bonn is now offering. In the wake of the compromise, to drivers. It is also to offer cars with all the catalyst equipment on them except the actual catalyst core.

This is lead-sensitive, and the unleaded fuel on which catalyst cars run (lead quickly damages the platinum/rhodium catalyst core) is not required to be generally available throughout Europe until 1989. The buyers of these cars can have the core fitted by dealers at a later date. In the meantime, Mercedes will continue to sell "conventional" cars.

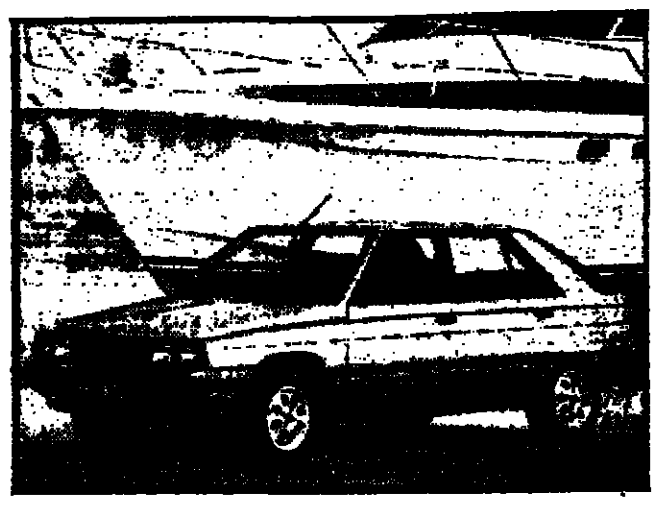
Even in a legislative sense, the standards do not provide the industry with concrete figures with which to work. For the test driving cycle from which the precise number of grammes of pollutant are obtained is itself subject to future revision.

The current European driving cycle has an average speed of only 18 mph. A revised cycle, likely to involve an additional high-speed section, is due to be introduced—but its exact nature is unlikely to be known before 1987.

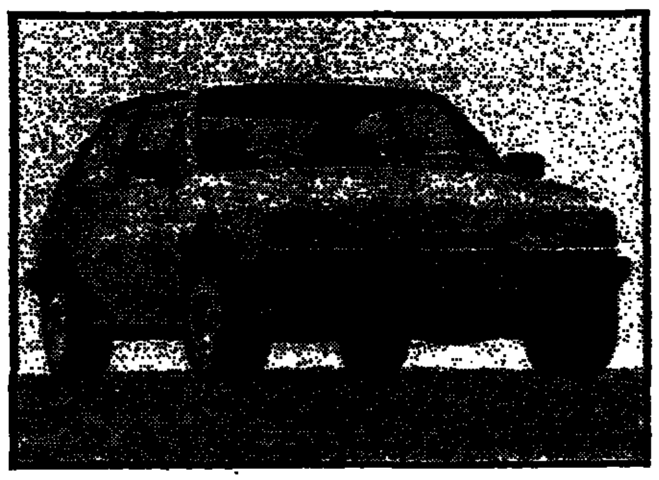
Volkswagen Golf GTI

Ford Orion Ghia

Fiat Uno 70S



Renault 11 TSE



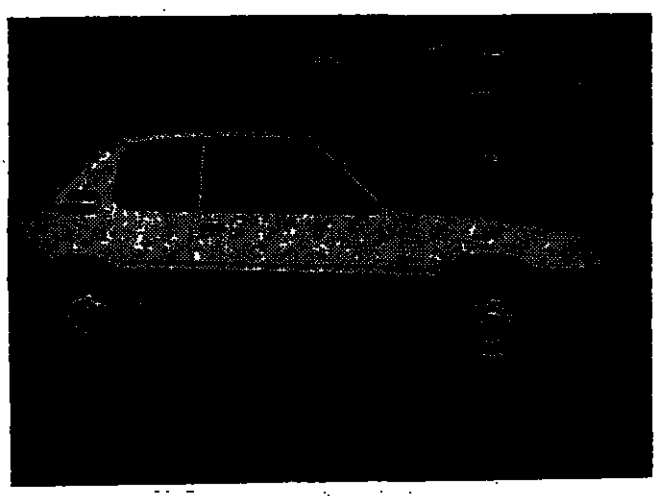
Ford Fiesta XR2

EUROPE'S TOP TEN MODELS—1984

	Austria	Belgium	Denmark	Eire	Finland	France	Italy	Netherlands	Spain	Sweden	Switzerland	UK	W. Germany	Total
VW Golf/Jetta	21,467	7,906	3,286	2,186	3,552	38,637	59,600	25,317	0	13,895	21,702	28,511	313,273	539,332
Ford Escort/Orion	9,825	7,898	8,389	3,842	5,432	57,839	22,500	30,459	38,470	10,409	9,127	208,366	84,164	496,720
Fiat Uno	4,626	6,371	3,043	1,821	2,883	27,290	331,050	9,754	0	1,754	5,162	20,915	36,719	451,388
Renault R9/11	3,233	10,342	0	1,839	0	212,164	62,450	8,486	77,668	0	3,277	27,718	27,962	435,139
Ford Fiesta	2,995	8,107	3,328	5,224	2,126	50,304	37,100	8,109	29,850	3,743	0	125,851	72,951	349,688
Opel Kadett	12,103	11,781	8,912	2,826	3,805	16,615	0	30,712	0	9,159	14,013	56,511	171,718	338,155
Peugeot 205	3,896	6,637	0	0	0	171,792	30,200	9,840	30,024	0	5,574	19,661	25,995	303,529
Opel Ascona	9,506	5,283	5,049	2,879	3,540	17,821	0	12,656	0	0	9,321	132,149	97,954	296,158
Ford Sierra	6,607	4,634	8,727	2,359	2,792	29,016	0	13,402	0	6,738	7,095	113,071	88,713	283,154
Renault R5	2,155	0	0	902	0	155,523	44,050	6,372	26,062	2,517	3,216	15,190	18,342	274,329

Source: Automotive Industry Data

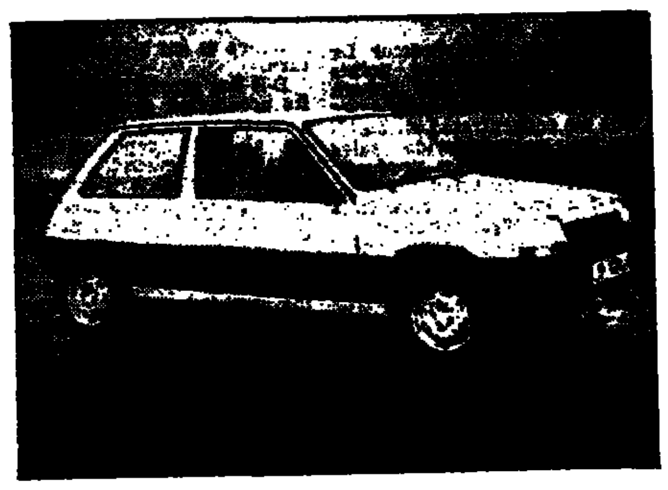
Opel Kadett GSi



Peugeot 205 XA

Opel Ascona GT

Ford Sierra L



Renault 5 GTL

Survival for upmarket producers is increasingly likely to depend on their continued ability to make their products clearly different. New more flexible manufacturing techniques are also coming to their aid, as **Kenneth Gooding** explains.

Volume builders eye the specialists' niches

ECONOMIES OF scale are still important in the motor industry and small companies are vulnerable unless they can find some way of clearly differentiating their cars from those of the major producers. However, by creating the right "image" for their models, the small companies can command enough of a price premium to cover their extra costs.

The sales volumes of BMW, Daimler-Benz's Mercedes cars, Saab and Volvo show that such differentiation is possible. But they are being chased by the volume producers who, as they have always tried to do, are attempting to move into the specialists' sectors of the car market.

The major companies envy the profit available to manufacturers producing "something different."

The volume producers try various approaches. Renault with the R25 and Ford with the Scorpio/Granada are offering top-of-the-range models which they hope will make their regular customers think twice about paying the premium required to buy a specialist producer's product.

Volkswagen has carefully separated its Audi subsidiary and is cultivating an up-market image for it, particularly in the U.S. Fiat has gone through a similar exercise with its Lancia subsidiary — this time, though, in order to protect another 10 per cent of the Italian market from imports.

Meanwhile, the up-market producers have been formulating their strategies for the second half of the 1980s.

At BMW, sales director Dr Eberhard von Koerber, points out that "During the growth years of the 1970s and early 1980s we concentrated on building up a world-wide sales organisation on new products. BMW was a Bavarian car company ten years ago. Now it is a worldwide organisation.

"So we are preparing ourselves for a new phase of growth in our corporate history."

He says that in future BMW will place less reliance on its small cars — the three-series models, which last year accounted for 65 per cent of unit sales — for volume increases to avoid as far as possible clashing with the volume producers. As part of this approach the company will increase the specification of the three-series cars and put more added-value in each one.

BMW will also place less reliance on the U.S. market, the group's major export territory. But it will make a determined effort to build up its market share in West Germany from the current 8 per cent to 10 per cent.

It will also speed up its investment programme and split the research operations away from the development functions. Dr Hans Hagen, the science and research director, explain that "There is so much going on in the way of legislation which puts pressure on car development — things such as emission control rules — that it is better to separate research. With so much pressure on the development functions because of politics as well as normal needs, there is the danger that research might be squeezed."

Output from BMW's assembly plants at Munich and Dingolfing in Bavaria this year should reach 450.000 cars. A third plant at Regensburg, also in Bavaria, will lift BMW car output to an annual 550,000 by 1988 when it is in full production.

Daimler-Benz hopes to sell 520,000 Mercedes cars this year. "We are on the offensive," says sales director Hans-Jurgen Hinrichs. "We will have stronger growth in the car market this year than ever before. And now we have three models in our car range we need higher volume."

The group spent DM 2bn ($700m) each on the new "small" Mercedes, the 190, launched in January, 1983, and the mid-sized range (known in the company as the W124) introduced late last year. Spending of such magnitude means that D-B must increase sales volumes to get a reasonable return.

D-B has carefully reorganised its production centres so as to gain the utmost flexiblity and be able to cope with any vagaries of demand.

The Bremen van plant has made way for a new facility for the 190 which is also produced at the main D-B car plant, Sindelfingen. The two plants retain economies of scale by producing various key components and exchanging them: Bremen supplies doors, bonnets and body platforms, while Sindelfingen makes all the front ends, roofs boot lids and car sides.

Flexiblity built into the system allows the equipment producing the 190 cars at Sindelfingen to handle the new mid-sized Mercedes on the same lines and Bremen could, if necessary, be used to assemble any car in the Mercedes range—right up to the top-of-the-range "S" class.

A separate car components factory at Unterturkheim supplied both Sindelfingen and Bremen with engines, transmissions and axles.

Herr Hinrichs says that D-B wants to keep home sales and exports of Mercedes cars roughly in a 50-50 balance and this will involve increasing the marque's share of the West German market from 10 per cent to 12 per cent.

This will bring D-B into even more intensive rivalry with BMW, but each benefits from the other's success because they buy many of the same components from outside suppliers whose economies of scale are tremendously improved by having not just one, but two, up-market car producers as customers.

West Germany is also Western Europe's largest car market and its motor industry is the most successful exporter — about half Germany's car output goes abroad. D-B and BMW are operating in the most-affluent country in Europe and between them have helped West Germany develop the largest luxury car sector — about 60,000 cars a year — outside the U.S.

In contrast, Volvo and Scania in Sweden have one of the smallest car markets in which to operate domestically — last year registrations reached only 231,000 against 2.39m in West Germany — and no large component industry has developed.

Volvo therefore buys about 70 per cent by value of its car components from suppliers outside Sweden. This enables it to chase the best-possible technology anywhere in the world and also to benefit from the suppliers' economies of scale.

The company also entered into an industrial co-operation agreement with Renault of France so that the two could share the cost of developing and producing some components

Saab, Volvo's Swedish rival, had a similar arrangement with Lancia, Fiat's subsidiary, in respect of one model — which recently emerged as the Saab 9000 and the Lancia Thema with versions from Alfa Romeo and Fiat still to come.

While this arrangement has not produced the hoped-for exchange of components, Saab remains satisfied because it shared development costs and benefited from the experience in project planning of the Fiat-Lancia group: astonishingly the Saab 9000 was only the company's third entirely new model in more than 35 years of car manufacturing so it did not have much project planning experience of its own.

Saab found the extra something it needed to differentiate itself from the volume producers when in the second half of the 1970s it introduced cars with turbo-charged petrol engines.

This flew in the face of the then accepted motor industry wisdom and was met with wry scepticism by most of Saab's rivals. But the turbo image has been an extraordinarly successful marketing success. It has enabled Saab to move its models firmly into the "upper-medium" sector of the market and join D-B, BMW and Volvo.

Sten Wennlo, head of Saab-Scania's car division, says there really was no choice. "When you have a home market of only 200,000 cars a year and two manufacturers it would be catastrophic to try to mass produce cheap cars."

Europe's other small producers — Alfa Romeo and Austin Rover — also understand they need to differentiate their products from those of the mass producers if they are to do anything more than simply cling to life.

But Austin Rover's progress towards producing cars that are distinctive and individual has been painfully slow and held back in the UK by the company's need to provide a full range, from small utility to large executive cars, to keep its domestic market share from falling to unacceptable levels.

Alfa Romeo's five-year plan aims to reduce the Italian group's break-even level of output to only 200,000 cars a year compared with a previous target of 220,000 and to differentiate its models by designing and developing only sporty cars. The hope is that this will set them apart from the volume manufacturers' sporty saloons which mainly are "souped-up" versions of standard production models.

A key factor in the success of the up market companies is that so far the Japanese do not play a significant role in the large-car or prestige model market, partly because demand in Japan itself runs at only about £0,000 a year.

However, the Japanese are showing an increasing interest —witness Honda's HX executive car developed in co-operation with Austin Rover and which will be shown at the Tokyo Motor Show this autumn.

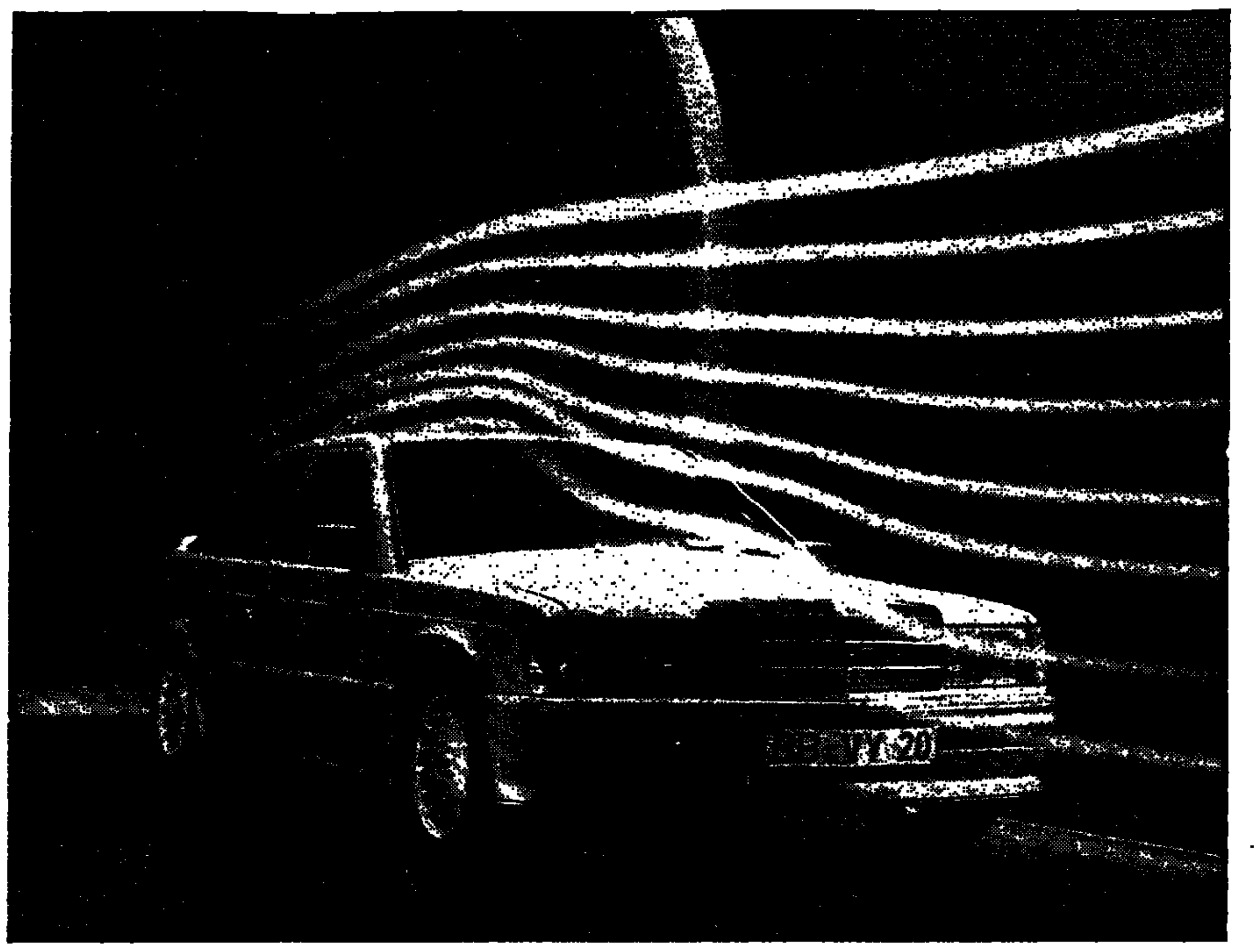
That need not necessarily be cause for dismay. For example, Prof Garyl Rhys, professor of motor industry economics at the University of Cardiff, maintains: "The smaller company is a hardy beast and it is clear that it has a future, even if the new technologies — both product and production based —do not make life all that much easier.

"In essence small companies are able to survive because they are able to offer the customer something different but at a price which is profitable and which the customer is willing to pay.

"In short, the small company will survive by, above all, finding a niche in the market and protecting this with strong product differentiation; by concentrating on a limited model range so that relatively large production runs per model are reached and research and development is not spread too thinly; by producing long-lived designs, so that tooling costs can be spread not over a high annual volume but over a high lifetime volume; by collaboration, co-operation and buying-in components competitively from large, low-cost suppliers.

"Small companies will also be helped by the new flexible manufacturing techniques to increase throughput per machine.

"And by benefiting from the mistakes of the large companies."



Aerodynamic efficiency has become part of the sales war in the quality car market

World car production

(000s)	1981	1982	1983	1984	†1985
WESTERN EUROPE					
West Germany	3,578	3,761	3,878	3,790	3,683
France	2,612	2,777	2,961	2,713	2,728
United Kingdom	955	888	1,045	909	987
Italy	1,257	1,297	1,396	1,439	1,435
Netherlands	78	91	106	109	105
Belgium	201	231	251	213	246
Total Six EEC	8,681	9,045	9,635	9,173	9,184
Sweden	258	295	345	375	396
Spain	855	928	1,142	1,177	1,235
TOTAL WESTERN EUROPE	9,795	10,268	11,121	10,726	10,816
United States	6,251	4,974	6,821	7,774	7,721
Canada	784	802	968	1,009	1,079
TOTAL NORTH AMERICAN	7,035	5,776	7,789	8,673	8,800
Japan	6,974	6,882	7,152	7,073	7,380
Australia	358	379	317	365	402
New Zealand	95	87	63	83	72
Taiwan	138	134	157	158	182
South Korea	69	94	122	156	205
Peninsular Malaysia	86	84	100	95	99
India	42	43	45	64	80
South Africa	322	292	283	267	255
Mexico	355	301	207	245	297
Brazil	620	716	772	695	797
Argentina	144	110	134	142	142

† Estimate.

Source: DRI.

CONTINUED FROM PAGE 1

Time of rapid change

companies preying on one another, each with roughly an 11 per cent share of the 10m market.

New production methods, which automatically boost capacity as they are introduced to existing factories, are threatening to make the over-capacity—currently about 2.5m cars a year —much worse. Prof Krish Bhaskar of the University of East Anglia reckons that European over-capacity could reach 4m cars by the early 1990s if nothing is done.

He also estimates that between 1981 and 1990 the European companies' capital expenditure requirements will total $80bn to $100bn but his cash-flow projections show a deficit of $20bn to $30bn.

Stock markets and banks are taking a jaundiced view of the European motor indnstry and are unlikely to put up much of the extra money required. In years gone by governments would have stumped up the cash, but times have changed and governments are no longer convinced that support for the industry offers value for money.

The UK Government has told BL it can have not a penny more of state cash. In France, the Socialist government ousted Bernard Hanon from the presidency of Renault because it was so shocked by the $1.4bn loss for 1984. The neo-Gaullist RPR opposition party has said it will denationalise Renault when it returns to power.

In Spain, the Socialist government has had enough of its motor industry companies and is attempting to sell control of Seat to Volkswagen of West Germany.

The old argument that an advanced, industrialised country needs a healthy motor industry because it stimulates so much other beneficial economic activity remains as valid as ever. The motor industry will be the driving force for the development of electronics and provide new management techniques which other engineering sectors can copy, for example. But much state aid today seems designed to protect or create jobs and the motor industry no longer provides the employment it once did.

In the UK 150,000 jobs have gone since 1979, in Italy the total is 130,000 and at least 55,000 in France. New automated processes can reduce the labour content of a car by between 30 and 50 per cent.

Those involved in the Massachusetts Institute of Technology "Future of the Automobile" project believe that the world's motor industry could today dispense with 40 per cent of its workforce yet maintain current rates of car production on existing equipment.

Some estimates suggest that if the European makers are to match Japanese levels of cost—something they undoubtedly will attempt to achieve as the threat of Japanese production in Europe looms larger—there will have to be a further 500,000 reduction in the European workforce by 1995.

Job losses and protectionism go hand in hand. The current renewed upsurge of protectionism in the U.S. arises from the realisation among the automotive component suppliers that half their market could swiftly disappear and along with it would go a great many supply companies and the jobs they provide.

The previous upsurge of protectionism in the U.S. forced the Japanese to set up assembly plants. Now the Americans have started doing the arithmetic and find that by 1990 the new Japanese factories will have the capacity to produce over 1m cars. But only about half—and some U.S. observers say that is over-optimistic—of the content of the cars the Japanese-owned plants produce will be sourced in North America.

To that must be added the increasing flow of components from Mexico and Brazil for use by the U.S. companies in their American cars, the growing number of imports from Europe at the top end of the price range and from Korea, Taiwan and even Yugoslavia at the bottom end.

It all adds up to the equivalent of another 2m car imports on top of the 2.4m imports to the U.S. last year. Obviously the U.S. will find such a steep rise in imports in such a short space of time quite unacceptable.

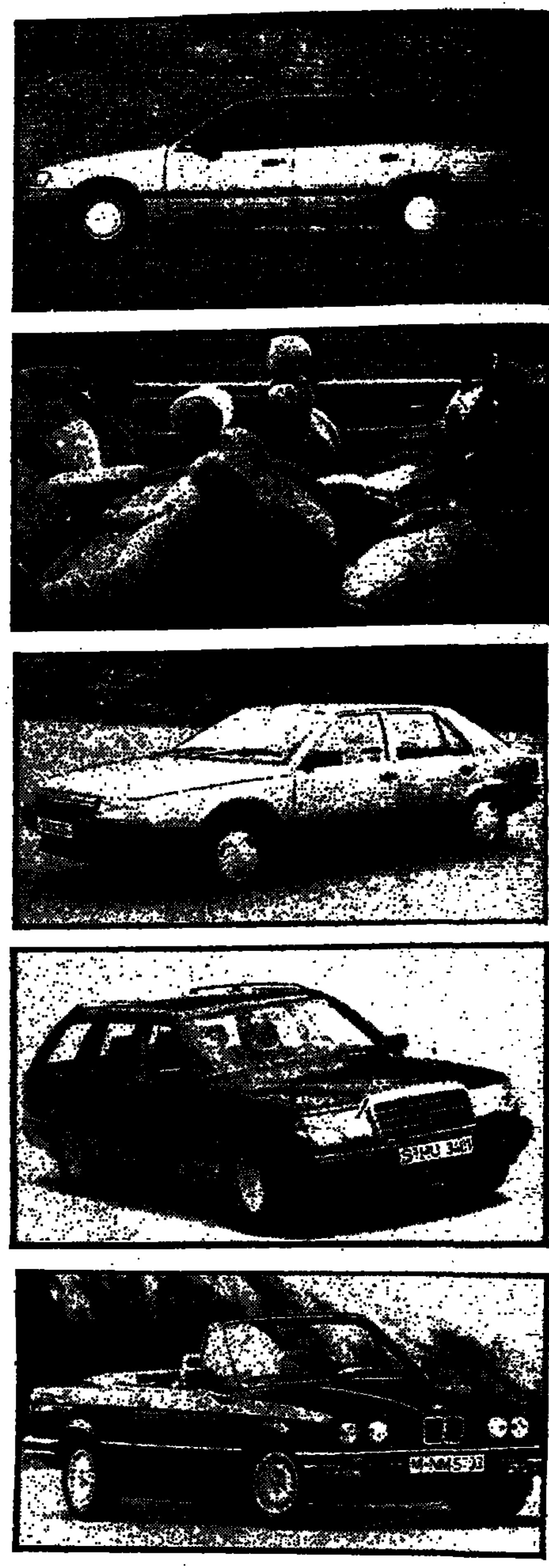
There will be calls for various protectionist measures, particularly for legislation to ensure a high level of North American content in the cars the Japanese build in the States.

However, the U.S. industry already knows that protectionism can backfire. The VRA and the favourable exchange rates with which it coincided fundamentally strengthened the Japanese industry.

Faced with the political necessity to restrict the volume of cars they could export, the Japanese tried as much as possible to ship out higher-value cars with higher margins of profit. Not only did that prove to be highly profitable, it also left a gap for cheap cars in the U.S. market which the South Korean and Taiwan makers seem likely to exploit—and thus enable their fledgling industries to gain ground.

In spite of protectionism, the industry seemed destined in the longer term to go through a "globalisation" process — the coalescing of world markets into one. In the words of Dr Carl Hahn, chairman of Volkswagen: "There will be one world market for the auto makers and customers will be pampered by all the manufacturers."

Governments and the industry face a major challenge to make sure that this inevitable process can take place without creating such turbulence that protectionism gets completely out of hand and severely disrupts world trade in automobiles.



Models produced by the major manufacturers, such as Ford's Scorpio with its refined interior (top pictures) and the Renault 25 (centre) show how hard they are trying to produce vehicles which match the high-quality cars of the specialist producers. At the same time, the smaller companies are coming up with new models such as the Mercedes estate and BMW open top (above). Progress towards increasingly flexible production in the volume makers' factories enables them to cope more easily with runs of models which suit this market, but they also have to create the cachet of quality which the smaller companies already have. Meanwhile, intense rivalry between the specialist producers is increasing.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday September 11 1985

Rhône-Poulenc up 30% and seeks FFr 1bn

BY PAUL BETTS IN PARIS

RHÔNE-POULENC, the French nationalised chemicals and pharmaceutical group, yesterday reported a 30 per cent increase in first-half profits this year and said it plans to raise FFr 1bn ($112m) in fresh funds on the Paris bourse by issuing non-voting securities known as *"certificats d'investissement."*

M Loïk Le Floch-Prigent, chairman, also disclosed yesterday that the French nationalised group had just acquired a U.S. biochemical research company called Purification Engineering based in Baltimore, Maryland, to help expand Rhône-Poulenc's research and development activities in new biotechnology fields in the U.S.

Earnings in the first half of this year totalled FFr 1.038bn compared with FFr 786m in the same period previously. Interim sales increased by 10.3 per cent to FFr 28.8bn while cash flow rose to FFr 2.8bn from FFr 2bn in the corresponding period a year earlier.

M Le Floch-Prigent said he did not expect profits to continue rising at the same high rate in the second half of the year, especially since Rhône-Poulenc had particularly strong second-half earnings of FFr 1.2bn in the last six months of last year.

Rhône-Poulenc's activities in the electronics sector had been hit this year by the general depression in the electronics business, he said. The French company has developed an important presence in the floppy disk market, both in France and in the U.S., where it acquired the Brown Disc concern at the end of last year. The fall in floppy disk sales and prices has meant that Rhône-Poulenc has lost money in this new sector, M Le Floch-Prigent acknowledged.

Rhône-Poulenc's textile operations in France were also continuing to lose money although these domestic losses were now offset by profits in Brazil, West Germany and Switzerland. Mr Le Floch-Prigent said domestic textile losses totalled FFr 450m last year and were expected to decline to around FFr 350m this year. His target was for the French textile operations to break even by 1987.

M Le Floch-Prigent said the group's recovery was now well established and that the cyclical character of Rhône-Poulenc's operations had been successfully reduced. However, the future course of the U.S. dollar and the fact that 50 per cent of the company's industrial prices were still blocked despite the French Government's gradual lifting of industrial price controls remain sources of worry

The new FFr 1bn issue of *"certificats d'investissement,"* non-voting securities which French nationalised companies are allowed to issue, is designed to increase company funds to finance growth and development. Apart from the new acquisition in the U.S. of Purification Engineering, Rhône-Poulenc is currently negotiating commercial agreements with Stauffer of the U.S. to market Stauffer agrochemical products in Spain and the UK and is completing two investments in Mexico involving a total of about FFr 100m. M Le Floch-Prigent also said the company was extending its business with Eastern bloc countries and installing a research laboratory in India.

Rhône-Poulenc, together with other chemicals groups, is also studying the possibility of taking part in the European "Eureka" high technology co-operation programme in the fields of seeds, new material and the environment. M Le Floch-Prigent indicated that two key aspects of Rhône-Poulenc's growth strategy was high technology and increased international exposure.

Overseas sales accounted for 70.8 per cent of group turnover in the first half of this year compared with 69 per cent the year before. M Le Floch-Prigent is also seeking more productivity gains from French plants.

Among new products, the company is currently banking on the development of a new drug to fight the Acquired Immune Deficiency Syndrome (Aids) virus. Tests on this new drug called HPA-23 have just started in French and U.S. clinics and Rhône-Poulenc expects to know whether the new drug works by September 1986. Sanofi, another French pharmaceutical company controlled by the Elf-Aquitaine oil group, is now marketing an Aids detection test in France.

Citibank drops bid for rest of Centro

By James Buxton in Rome

CITIBANK, the U.S. institution which is one of the leading foreign banks in Italy, has withdrawn an offer to buy the outstanding portion of shares in Banco Centro Sud, of which it recently acquired 73.6 per cent, from the state-controlled Banco di Roma.

The offer for the remaining 26.4 per cent, until recently in the hands of about 10,000 small shareholders, was cancelled when the price of Centro Sud shares soared on the secondary market to almost L6,000 ($3.07) a share, compared with Citibank's offer of L5,400. This was the price at which the shares were quoted before the offer was announced.

Citibank recently finalised the purchase of the majority stake in Banco Centro Sud for L290bn, which represented a price of L9,130 per share. Purchase of control of the Napels-based Banco Centro Sud brings the U.S. bank a valuable deposit base.

There was considerable resentment among the small shareholders and some stock exchange operators at the wide gap between the price Citibank paid for the majority of the shares and its offer for the minority. Stock exchange operators began buying up shares on the secondary market, pushing up the price.

Citibank originally justified the gap between the two prices on the grounds that the public offer represented a 50 per cent premium on the asset value per share, and that the price paid for the majority stake included a premium for majority control.

INTERNATIONAL AUTOMOBILE EXHIBITION OPENS ON A CAUTIOUS NOTE

GM hedges on return to profits

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN FRANKFURT

GENERAL MOTORS, the world's largest automotive group, is still shy about giving any clear indication of when its European operations – which suffered a loss of $291m in 1984 – will return to profit.

However Mr James McDonald, the president, dropped a hint during the preliminaries to the International Automobile Exhibition in Frankfurt when he said Opel of West Germany, GM's key European company, had a break-even target for next year. Opel's loss was DM 695m ($238.6m) in 1984, a year when it was badly hurt by the seven-week West German metal workers' strike.

Opel executives tend to be more optimistic and suggest breakeven might be reached this year. For example, Opel's vehicle output is forecast to recover from the depressed 770,000 in 1984 to a record 1.2m this year. The annual rate of production of the new Opel Kadett/Vauxhall Astra has reached 350,000 and it is still climbing.

Mr McDonald refuted widespread suggestions that GM's losses resulted from it "buying" a market share in Europe in an attempt to overtake Ford its arch-rival.

He insisted GM's losses stemmed mainly from its huge investment in Europe. Opel's expenditure, for instance, will reach well over DM 1bn this year.

"Perhaps we failed to put enough investment into Europe in the past and we have some catching up to do," Mr McDonald said. "We are pleased with the performance of our European organisation, we have a lot of confidence in it, and we are investing a great deal of money to back that confidence." He added that it would however take some time before this heavy investment paid off.

Mr McDonald revealed that all future Opel cars would be developed for the U.S. market as well as European conditions. The group is already considering whether the replacement for the Senator, Opel's large saloon, should be sold in the U.S. when it appears in a year or so.

Opel might set up its own dealer network, or the car could be added to the range offered by one of GM's American divisions which include Chevrolet, Pontiac, Buick, Oldsmobile and Cadillac.

Questioned about the talks between Alfa Romeo of Italy and Pontiac about possible co-operation over a sports car, Mr McDonald said that so far Pontiac had put no formal proposition to the GM board.

Motor industry survey, Section III

Mazda plans major effort on research

BY OUR MOTOR INDUSTRY CORRESPONDENT

MAZDA, the Japanese automotive group, will boost research and development expenditure substantially and shorten the time taken to launch new models from five to three years, said Mr Kenichi Yamamoto, the president, yesterday.

The research and development budget will be lifted from Y85bn ($350m) this year, or 5.4 per cent of expected sales, to Y105bn or 6 per cent of sales for the next few year. The number of engineers involved will be lifted from 4,000 to 4,500.

Mazda intends to produce cars of two types in future, one a cheap and practical variety, but also a line of sophisticated, high technology cars which are fun to drive, Mr Yamamoto said at the Frankfurt motor show.

Mazda is a relatively small producer, with car and van output expected to rise from 1.3m to 1.4m this year. The company needs to invest more in research because it must produce distinctive cars to create a clear identity in the minds of potential customers, Mr Yamamoto said.

Asked about Mazda's association with Ford, which owns 25 per cent of the Japanese group, Mr Yamamoto said he did not believe closer links were desirable. "It is important for Mazda to maintain its individual identity," he said.

He said Mazda was aware of the wide-ranging talks about a possible co-operation between Ford and Fiat but is not involved in any way.

Ford takes about 120,000 cars a year for its Asia Pacific dealer network (mainly in Taiwan and Australia) from the Japanese company, and contributes about 10 per cent of turnover. All the cars supplied to Ford were developed by Mazda "but, as Ford is such a good customer, we listen to what it has to say," added Mr Yamamoto.

Mazda's car and van sales in Western Europe will improve from 220,000 in 1984 to about 230,000 this year – still below the 250,000 reached in 1981.

Mr Yamamoto made it clear that Mazda currently has no plans to assemble cars in Europe, either on its own or in co-operation with Ford. This is because it is concerned about excess capacity. However, it hopes to expand its office in Brussels to include some R & D capability.

BMW boosts turnover

BY JOHN DAVIES IN FRANKFURT

BMW, the West German prestige car and motor-cycle maker, lifted group sales revenue to DM 11.9bn ($4.1bn) in the first eight months of this year, about 12 per cent more than in the same period last year.

Herr Eberhard von Kuenheim, the chief executive, said yesterday that car production was up 4 cent to about 285,000. Only the physical capacity of the plants prevented production of more cars.

BMW would not have any further significant capacity until its new factory at Regensburg in Bavaria started production in autumn next year, he said, adding that Regensburg was now needed more than ever.

Herr von Kuenheim said BMW had created about 1,000 new jobs since the beginning of this year. The number would rise to about 2,300 by the end of the year.

VW expects good year

BY OUR FRANKFURT STAFF

VOLKSWAGEN, the West German motor vehicle group, expects a "relatively good" year this year, Dr Carl Hahn, chief executive, said yesterday, but he declined to speculate about the likely dividend payment.

Dr. Hahn said that the next few years also offered favourable prospects and VW was gearing up its employment and investment strategies to take advantage of these chances.

After two years of heavy losses, VW returned to profitability last year with net earnings of DM 228m ($78.3m) and paid a dividend of DM 5 a share. With profits in the first half of this year reaching DM 281m, there has been speculation about a dividend increase.

Dr Hahn said that 1.61m VW and Audi models had been delivered to customers worldwide in the first eight months of this year,

Arco reduces exploration in Alaska

By Our Financial Staff

ATLANTIC RICHFIELD (Arco), the large U.S. integrated oil company which has been carrying out a sweeping restructuring programme in recent months, announced yesterday that it will concentrate its exploration activities in Dallas, substantially reducing its commitment to further exploration in Alaska.

Mr Dana Grannell, head of the company's exploration division in Anchorage, said that "with income declining because of oil price drops, we must be more selective in the areas in which we conduct exploration. We still very firmly believe in the long-term opportunities in Alaska."

Arco, one of the major beneficiaries of the discovery of oil in Alaska's North Slope in the late 1960s, last April announced a series of measures intended to adjust to the changed circumstances of the oil industry.

In addition to cutting back worldwide exploration, these included its withdrawal from refining and marketing east of the Mississippi, a withdrawal from metals operations, and a $4bn share repurchase programme.

A $1.5bn charge was taken against second quarter 1985 earnings in relation to this restructuring plan.

Skandia forecasts domestic setback

BY DAVID BROWN IN STOCKHOLM

SKANDIA of Sweden, one of Europe's largest insurance companies, has warned that losses on its domestic operations this year might reach as high as SKr 400m ($46.6m).

As a result, the group as a whole is expected to plunge into red figures this year.

Skandia and other Swedish insurers have been hit by "an extreme increase in both the number and severity of medium-sized claims" in the domestic commercial sector, said Mr Björn Wolrath, the managing director. These medium-sized claims were not covered by reinsurance.

Although Skandia expects to recover from the SKr 300m loss registered by the international operation last year, it is thought highly unlikely this will compensate for the domestic downturn.

There has however been an agreement between Swedish insurance companies on the need for large premium increases. An additional 15 per cent on industrial premiums and some 30 per cent on homeowner and automotive policies can be expected, Mr Wolrath said.

Last year, Skandia was hit by major losses in its U.S. operations and profits tumbled from SKr 696m in 1983 to SKr 10m.

The group says it still plans to float its international operation as a separately-quoted company. This is expected to raise some SKr 1bn.

State cuts stake in NMB

BY LAURA RAUN IN AMSTERDAM

NEDERLANDSCHE Middenstandsbank (NMB) has disclosed that the Dutch Government has reduced its stake in the bank to 16 per cent from 22 per cent during the past eight months.

The state holding could fall to 15 per cent if the Government exercises its rights under a one-for-10 rights issue announced this week. The disclosure of the pared government stake was in the prospectus for the rights issue.

The centre-right Government's move apparently is in line with its growing efforts to privatise state holdings though no major holdings as yet have been sold. The Finance Minister has mentioned DSM, the state-owned chemicals company, as a prime target for sale to the private sector,

SEL hopes to set up venture in China

By Our Frankfurt Staff

STANDARD ELEKTRIK Lorenz (SEL), the West German telecommunications company, is hoping to set up a joint venture in China to make cable and transmission equipment.

SEL, which is 86 per cent owned by ITT of the U.S., believes that the project could receive final approval from Chinese and West German government authorities later this year.

Under the project, two factories would be set up in the Chinese province of Fujien, with production starting up in 1987.

The factories would initially employ about 250 Chinese workers but the workforce would be built up later to about 400. SEL would send experts to China to supervise the setting up of the factories.

The Chinese would have a majority stake in the joint venture undertaking but SEL has not disclosed details of the proposed partnership.

The West Germans put a modest value on the volume of production, which they believe would amount to about DM 40m a year at first and about DM 80m ($27.4m) after the running-in phase.

The project would be part of the drive underway in China to extend and modernise the country's communications network. The Chinese have turned to a number of Western companies, including West German ones, for telephone equipment and know-how to spur their efforts.

EUROBONDS

Stability reappears in market

BY MAGGIE URRY IN LONDON

A MEASURE of stability returned to the Eurobond market yesterday as the foreign exchanges calmed down and the New York bond market opened steady.

New issue activity was low, however, with only Japanese borrowers launching fixed-rate Eurodollar bonds. Older issues edged firmer.

Floating rate note traders were pleased to see the first issue for some days, even though Manufacturers Hanover was not the name they had wanted most. Merrill Lynch led the $150m issue for the U.S. bank which comes as senior debt. The bonds mature after seven years and are non-callable for five years, a plus point for investors.

Terms were fixed at a coupon of ⅛ per cent above the mean between London interbank bid and offered rates, and fees totalled 20 basis points. The bonds were trading at a discount within those commissions.

In the secondary FRN market mis-match deals added around 10 basis points as the yield curve has steepened. These issues allow investors to take advantage of a steep yield curve since they can fund on one-month money and receive six-month rates.

Nippon Kokan, the Japanese steel company, launched a $80m issue guaranteed by Fuji Bank which matures on February 14 1992. Nomura International set terms at a 10⅝ per cent coupon and 101⅛ issue price. Some traders quoted the bonds bid at a 2⅝ point discount to issue price, well outside the 1⅞ per cent fees. The paper is destined for Japanese investors, though some dealers regarded the terms as too tight even for them.

Yamaichi International Europe launched a $75m issue with equity warrants for Marubeni, the trading house. This has a seven-year life and the coupon is indicated at 7⅛ per cent. The bonds were trading within the 1½ per cent selling concession.

Terms were finalised for two $30m issues with equity warrants, both as indicated. Nomura fixed the coupon for Kokusai Kogyo's deal at 7 per cent while Yamaichi set a 6⅞ per cent coupon for Sekisui Chemical.

In the U.S. dometic bond market First Boston set the terms for the first yen-denominated Yankee issue. The borrower is Asian Development Bank and the issue had produced such a good response that the size was set at Y35bn instead of the original expectation of Y25bn. The 10-year bonds pay a 6½ per cent semi-annual coupon and the offering price was set at 99½.

Investors are likely to be mainly institutions keen to hedge against a dollar decline. Since the recent European currency unit issues in the U.S., there is a growing awareness of the opportunity to improve portfolio returns by currency diversification.

Business in the Swiss franc foreign bond market was dominated by news that the issue for R. J. Reynolds, led by Morgan Guaranty (Switzerland) had been increased from SwFr 235m, already a record amount, to SwFr 275m. The issue, which has a 15-year life, a 5⅜ per cent coupon and 99½ issue price, has been a great success. Although grey market trading is not officially allowed in Switzerland, traders were indicating a level of 98⅜ for the bonds. Stock market trading will begin on September 26.

SBC announced a SwFr 100m private placement for Jujo Paper which is guaranteed by Mitsui Bank. This has a five-year life and terms were fixed at a 5½ per cent coupon and 99⅜ issue price.

Banca del Gottardo is leading a SwFr 60m issue with equity warrants for Meidensha Electric, indicating a 3⅛ per cent yield. The yield for Wasino Machine's SwFr 60m convertible was cut from the indicated 1⅜ per cent to 1½ per cent by UBS.

Secondary market trading was active in Switzerland and prices were slightly firmer. Fuji Bank's SwFr 120m convertible ended its first trading day at 99 compared to the par issue price, a level regarded as disappointing by traders.

No new issues were launched in the Euro-D-Mark bond market. In the secondary market prices recovered from a fall in the morning to close firmer by around ¼ point. The new DM 200m issue for BFCE, launched late on Monday, traded within the 1⅛ per cent selling concession yesterday.

The Inter-American Development Bank launched an issue on the Dutch domestic market for Fl 200m. Led by ABN, the coupon was set at 7⅛ per cent and the average life at eight years. Pricing is open until September 16.

International bond service, Page 19

Nestlé to place participation certificates

By Maggie Urry in London

NESTLÉ, the Swiss food and consumer products giant, is placing 200,000 bearer participation certificates (bpcs) in the international capital markets, repeating a successful issue made in June. The deal is again led by Credit Suisse First Boston.

The shares will be priced at the close of trading on the Zurich stock exchange on Thursday. Yesterday the shares were trading around SwFr 1,390, so the issue would be worth close to SwFr 280m. The last issue, of 300,000 bpcs was placed at a price of SwFr 1,245 each.

Commissions on the issue are 3⅛ per cent and the placing will be done Eurobond-style.

CSFB is also leading the European part of a 6m share offer for Pacific Telesis, one of the companies formed by the break-up AT&T. The U.S. portion of 5m shares is being arranged by First Boston and the other 1m are destined to European investors to broaden the groups shareholdings. Pricing will take place next week, but yesterday the shares were quoted at $73⅝ putting a value of$73.5m on the Euro-placing.

INTL. COMPANIES & FINANCE

Minebea plans bond issue to ward off predator

BY YOKO SHIBATA IN TOKYO

MINEBEA, the largest Japanese maker of ball bearings, plans to issue about Y16bn ($65.7m) in convertible bonds for private placement, in an attempt to build up its defences against a possible takeover bid by Trafalgar Holdings, a U.S. investment bank.

The company said it would make a formal decision on the bond issue in a few days, with payment expected to be completed by the end of this month.

If fully converted, the bonds would bring into play some 20m shares, representing about 8.3 per cent of Minebea's expanded capital. They are expected to be placed with shareholders such as Mr Takami Takahashi, the company's president, who owns 5.7 per cent of the present equity, Keiai-sha (5.1 per cent), the Long-Term Credit Bank of Japan (3.1 per cent) and other banks with which Minebea does business.

The issue is designed to dilute the potential 23 per cent stake held in option form by Trafalgar. It was acknowledged by Minebea to be an "emergency sheltering measure."

In mid-August Minebea proposed a merger with Sankyo Seiki, a precision equipment maker in which it had quietly acquired about 19 per cent. An affair which could yet become Japan's first hostile takeover bid was given an added twist when the investment bank controlled by Mr Charles Knapp acquired options on Minebea shares from Glen International.

Mr Takahashi said: "It has become clear that Trafalgar Holdings is seeking an appreciation in our stock price and the capital gains which will result from selling off Minebea shares.

"We are studying their movements closely, and will take any other action to counter a possible takeover bid. This present measure is designed to dilute the shareholding of Trafalgar. Minebea has been in talks with the company's major banks."

Philippine banks to merge

By Samuel Senoren in Manila

PHILIPPINE Commercial International Bank (PCI Bank), the country's sixth largest commercial bank), has acquired the medium-sized Insular Bank of Asia and America for about 880m pesos ($47.3m).

PCI Bank reported end-1984 resources of 10.3bn pesos while those of Insular Bank stood at 4.6bn pesos. Both reported net profits last year—PCI Bank with 101m pesos and Insular with 63.3m pesos.

The acquisition is still subject to approval by monetary authorities but banking officials foresee no problem since the Government has been encouraging banks to consolidate.

A merger of the two banks by the end of the year, with PCI Bank as the surviving institution, will provide the Philippines' third largest commercial bank. It will rank behind the state-owned Philippine National Bank with assets of 87bn pesos and Metropolitan Bank and Trust with slightly over 16bn pesos.

Insular Bank is the second major financial institution to be taken over since last year, when Family Bank and Trust was bought by the Bank of the Philippine Islands for about 900m pesos.

The Government has been under pressure to reduce the number of commercial banks from the present 31 as part of financial reforms pledged to the International Monetary Fund. Such reforms, which are to be completed by the end of 1986, are crucial to continued IMF assistance to the Philippines.

Qantas HQ up for sale

By Michael Thompson-Noel in Sydney

QANTAS, Australia's state-owned international airline, has put its 50-storey Qantas International Centre in Sydney's central business district (CBD) on the market at more than A$200m (US$ 133.6m). The airline has no plans to move its own head office from the building.

A sale of A$200m-plus would easily top the Sydney record for a CBD building.

Mr John Howard, Australia's new Opposition leader, is keen to privatise leading state-owned enterprises

Marui lifts profits 31%

BY OUR TOKYO STAFF

MARUI, the leading Japanese credit sales stores group, boosted parent company pre-tax profits by 31 per cent to Y14.54bn ($59.7m) in the half-year to July.

Net profits were 28 per cent higher at Y6.48bn, on sales of Y159.38bn, up 14.8 per cent. Earnings per share moved ahead from Y19.20 to Y23.57.

Over the year as a whole, the company expects to report earnings growth for the 23rd consecutive year since it listed on the stock exchange. As a mark of confidence, its final dividend is to be raised by Y1 from the previous Y15.

Clothing sales, up 20 per cent, showed the most marked improvement. The company's consumer loans business, meanwhile, was aided by a stricter screening procedure. Thanks to organisational changes, sales at its longer established stores rose 20 per cent—in the previous year these were up only 1 per cent.

Full-year sales are expected to improve by 14 per cent, as new stores are opened and floor space at Marui's existing outlets expanded. Pre-tax profits are projected at Y27.5bn, up 17 per cent, and net profits at Y12.5bn, ahead by 20 per cent.

Singapore banks pin hopes on novel facilities

Chris Sherwell looks at moves to enliven a stagnant market

AS SINGAPORE'S financial sector prepares for the grim prospect of zero or negative growth in the economy this year, some of the island state's merchant banks are latching on to a fresh line of business in an attempt to keep busy.

Revolving underwriting facilities (RUFs) and note issuance facilities (NIFs) started appearing on the Singapore market last November, when Keppel Shipyard, a lossmaking government-owned corporation with huge debts, issued the first Singapore dollar-denominated RUF of S$100m (US$43.5m).

At least 17 issues have come in quick succession since then, seven of them in Singapore dollars amounting to S$460m and the remainder in U.S. dollars valued at U.S.$675m. Banks are competing to find borrowers and arrange issues, and the business is likely to continue to grow.

RUFs and NIFs have expanded rapidly in the Eurodollar markets over the past four years. Basically, they allow a corporate borrower to raise money through a panel of banks which bid for its notes; an underwriter stands ready to supply funds not furnished by the tender.

The facilities mean borrowers can raise money when needed quickly and cheaply: in the case of an RUF, an issuer can borrow at more than two points below the commercial banks' prime rate in Singapore, over a medium-term period and on a stand-by basis. Among other things that allows refinancing of debt previously incurred on less favourable terms.

For their part, the banks acquire only a contingent liability and, depending on the borrower, paper which can be traded easily. That can do wonders for the profile of their assets and liabilities at a time of economic downturn and problem loans.

The leading arranger in Singapore so far is Singapore International Merchant Bankers Ltd (Simbl), with nine issues. Simbl is a joint venture between Schroders of London and Oversea-Chinese Banking Corporation (OCBC), one of the "big four" local banks.

Not only did it do the Keppel issue, it also arranged the first U.S. dollar-denominated borrowing by a Singapore company, by the government-controlled Neptune Orient Lines (NOL) for US$50m in February. NOL, which has suffered successive declines in profits since 1981 and wants to reduce its loan repayments burden, has since done a Singapore dollar issue as well, for S$80m, also through Simbl.

A further three issues have been arranged in U.S. dollars by Citicorp, all for Australian borrowers, one of them for its sister, Citicorp Capital Markets Australia. Credit Suisse First Boston, active in European markets, recently arranged the biggest facility, US$200m, for the State Bank of New South Wales.

Other entrants to the Singapore market as arrangers include Morgan Grenfell, handling a US$70m issue by Singapore Petroleum Company, Chemical Sanwa with a NIF of S$50m for Hong Leong Corporation, and Wardley's S$50m RUF for Hwa Hong, another local company.

The latter two issues have aroused curiosity among Singapore bankers because of their pessimism over the depressed property market. Hwa Hong has put up a large warehouse as security for its RUF, which is underwritten by the Hongkong Bank, and the effects are awaited. The Hong Leong Corporation issue has already suffered in being a NIF—these are not underwritten — and because the company is linked to a property company, City Developments.

The next steps in the evolution of the Singapore market are already apparent. First, arrangers are likely to seek banks who will act as guarantors for issues by relatively unknown names. Simbl has just finalised a S$30m issue for a Singapore subsidiary of Minebea of Japan which will be guaranteed by Long-Term Credit Bank of Japan.

Second, more bank paper is likely to appear, like the Citicorp Australia and State Bank of New South Wales issues.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

McGraw-Hill and Citicorp set up information service

BY PAUL TAYLOR IN NEW YORK

CITICORP, the world's largest banking group, and McGraw-Hill, the U.S. publishing and business information group, yesterday announced a joint venture to provide a worldwide electronically-linked market place for commodity spot and contract dealings.

The information service, Global Electronics Markets Co (Gemco) will initially focus on petroleum and petro-chemicals, but other commodities will be added in the future. The move is the first major attempt by Citicorp to break into the electronic financial information industry, although the U.S.-based group has long considered the field of prime importance. It is also the latest push by McGraw-Hill into the market.

The two groups claimed that Gemco will be the first "one-stop" marketplace to offer information communications facilities, a channel for carrying out negotiations, and access to the financial services needed to close a deal on a 24-hour basis. The service will initially be offered to customers including manufacturers, airlines and other buyers and sellers of oil and petrochemical products. It will be delivered via an electronic network of terminals bringing buyers and sellers together.

Holland America sees earnings recovery

BY LAURA RAUN IN AMSTERDAM

HOLLAND AMERICA Line, the Dutch-based cruise-ship operator, expects to "substantially" improve its earnings for all of 1985 despite a $364,000 loss in the first half.

The company posted a profit of $11.6m in 1984 in spite of a $9.1m deficit in the first six months. The losses were slashed in the first half of this year by improving operating efficiencies and selling loss-making activities.

Holland America Line described its results and financial position as "satisfactory," noting that costs were contained while passenger volume rose significantly. In the past year, the Belgian subsidiaries of Resta and Eurobrokers, and the Dutch consumer products divisions of Barends, Unicura and Madsen have all been sold.

The line is also recovering from a $26m loss in 1983 due to overcapacity in the Caribbean, where many of the company's ships are based.

An issue of convertible preferred trust shares is planned in an effort to strengthen the capital base. Agreement has also been reached with French banks to extend until 1993 and 1994 the financing periods for two new cruise ships. The pair were delivered in the past two years by Chantiers de l'Atlantique, a French shipyard that is a division of Alsthom-Atlantique.

The agreements with the French banks provide for dividend declaration only to the extent that profits exceed predetermined amounts in 1993 and 1994. Of the excess profits, 50 per cent may be distributed but the agreement does not inhibit the company's ability to declare an "appropriate" dividend for this year.

The company was founded in 1873 as a passenger-service line ferrying immigrants from Europe to the U.S. In 1977 it was converted into a trust whose assets are all the shares of Holland Amerika Lijn of the Netherlands Antilles.

Mitsubishi venture

WESTINGHOUSE Electric and General Electric, both of the U.S., and a unit of Mitsubishi Electric of Japan, have agreed, in principle, to form a joint venture to make a broad line of power discrete semiconductors, AP-DJ reports.

Westinghouse and GE each would hold 45 per cent in the company while Mitsubishi Electric America would acquire the remaining 10 per cent.

The new concern would make a broad line of rectifiers, thyristors and certain types of power transistors. It would be a successor employer at Westinghouse semiconductor plants in Youngwood, Pennsylvania, and Gurabo, Puerto Rico, along with a GE plant in Auburn, New York.

Security Pacific disposal

BY OUR FINANCIAL STAFF

BANK OF New York, the 26th largest U.S. banking group, has entered into an agreement to acquire RMJ Securities, a government securities broker, from Security Pacific for an undisclosed sum.

The West Coast-based SecPac, which is attempting to build rapidly into an international financial services empire, said the sale was in connection with its plans for its principal subsidiary, Security Pacific National Bank, to become a primary dealer in government securities. RJM was acquired by SecPac in February 1982 and has 250 employees.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 10.

* No information available-previous day's price

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the bid price. The amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month § above mean rate) for U.S. dollars. C.cpn. = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

'Poison pill' defence move by RCA

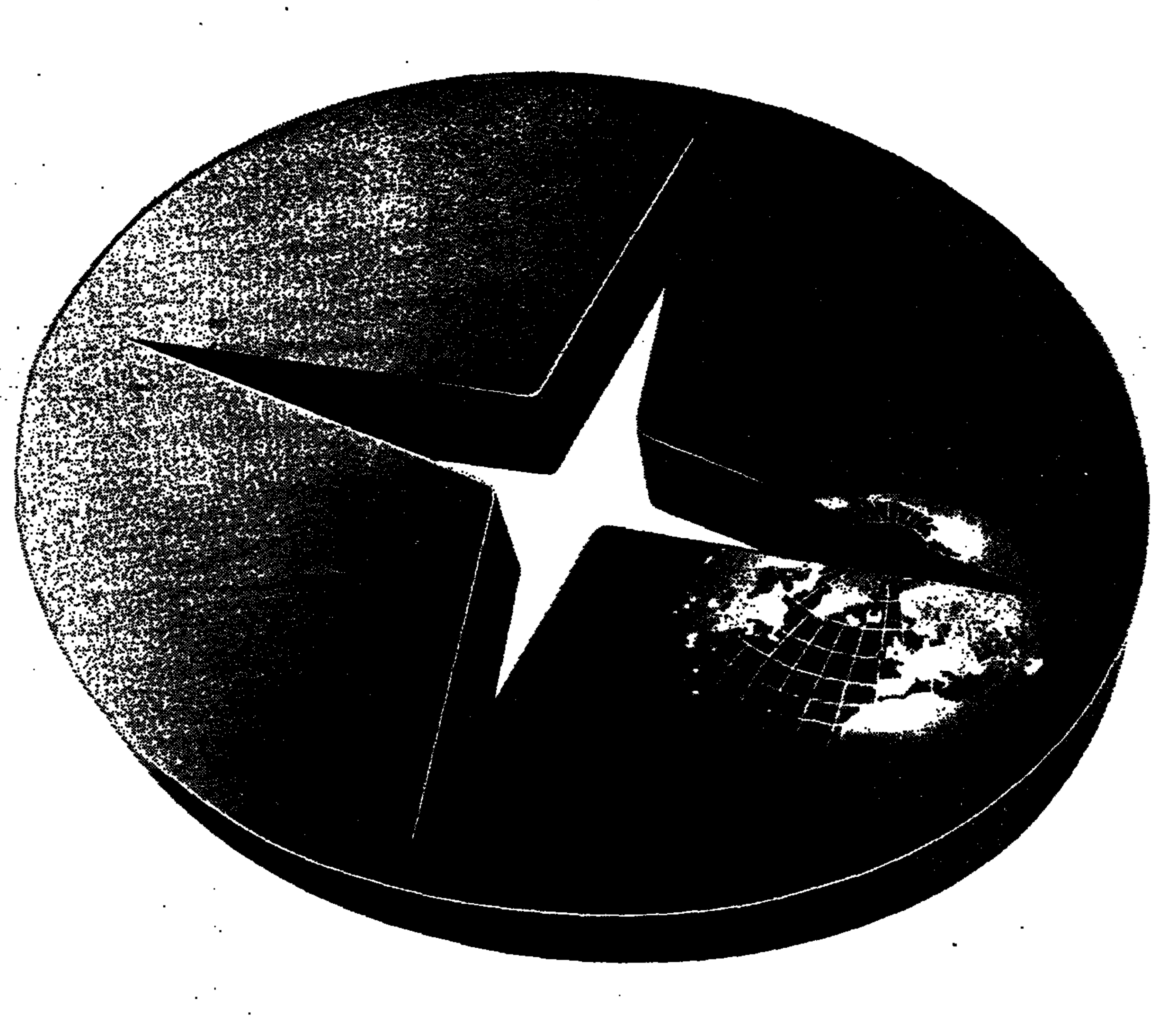
By Our New York Staff

RCA, the U.S. entertainments and communications group which has been the subject of sporadic takeover speculation for several months, is adopting a "poison pill" defence mechanism against an unwelcome bid.

The device, based on a dividend distribution on preference share purchase rights, is similar to the one used at Crown Zellerbach, the forest products company where Sir James Goldsmith, the Anglo-French financier, recently gained control.

In an explanation of its move last night, Mr Robert Frederick, president of the group, said that the rights were intended to enable all shareholders "to realise the long-term value of their investment. They do not prevent a takeover, but should encourage anyone seeking to acquire the company to negotiate with the board prior to attempting a takeover."

Under the scheme, one preference share purchase right is being distributed on each outstanding share of RCA stock. If RCA is acquired in a merger or other business combination transaction, each right will entitle its holder to purchase, at the right's then current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the right's exercise price.



UK COMPANY NEWS

Booker surges 58% to £17.6m

Booker McConnell, which forecast a full year result of around £45m during its successful defence against Dee Corporation's takeover bid, has notched up a 58 per cent profits increase for the first six months of 1985.

At £17.64m pre-tax, the result compares with £11.13m and confirms "our confidence in continued profit growth and trading success in all Booker's main activities," says Mr Michael Caine, the chairman. Turnover rose from £473.69m to £530.09m, and profits were stuck after higher interest costs of £1.65m (£558,000).

Retained profits were considerably lower at £4.3m, against £21.93m, following a £20.26m swing to extraordinary debits of £1.66m.

Shareholders are in line for a higher interim dividend of 4.25p, against 2.75p, with earnings per share 3.56p up at 8.97p—as part of its defence strategy Booker forecast total dividends of at least 11.5p for 1985.

Agribusiness raised its first half profits by 47 per cent to £11. In the U.S. the poultry breeding businesses, Arbor Acres Farm and Nicholas Turkey, had an execellent first half, says the chairman.

The UK-based agribusiness, activities also performed well "with outstanding results" from Fletcher and Stewart and McConnell Salmon and significant first time contributions from Hurst Seeds, Sortex, Tilhill Forestry and W & F Fish Products.

In the UK, Booker Heath Foods' profit was constrained by expenditure on advertising and promotion, although this should have "a favourable impact" on results for the whole year.

In the U.S., P. Leiner (48 per cent owned) had a satisfactory half year, although the wholly owned subisidiary American Health traded at a small profit, its competitive environment remains very difficult.

Food distribution continued its strong recovery, says the chairman, and the Budgen retail chain improved both sales and profit. Food distribution profits rose by £2m to £2.4m

An expansion programme is under way with the opening of *seven new supermarkets and* the launch of the convenience stores this year.

Sales and profits in the food wholesaling businesses advanced at an encouraging rate despite stiff competition, he says.

Outlets acquired from Fitch Lovell in February have been integrated, while other activities maintained their level of profitability and return on capital employed.

Plenty increased its contribution and has "an encouraging order book for the remainder of the year," and the authors' company's "continue to thrive on the popularity of Agatha Christie and James Bond."

Booker recently made a recommended offer to acquire Charles Sharpe for £10.3m to complement the existing Hurst Seed business.

Here's Health and the other health magazine title have been sold to Argus Press for £1.2m and the small residual holding in Sementes Agroceres in Brazil is being realised for U.S.$2.75m.

Booker has also continued to reduce overheads. The headquarters of the U.S. agribusiness is now located with Arbor Acres in Glastonbury, Connecticut, following th closure of the New York office.

The food distribution head office staff have been transferred to Eastcote, Middx, near the distribution complex at Ruislip, following the profitable sale of the Uxbridge office last year.

See Lex

Century Light boosts LMS to £16.5m

A SHARPLY higher contribution from related companies, in particular Century Power and Light, was mainly behind a £3.36m rise to £16.49m in full-year taxable profits at London Merchant Securities, an investment holding company with interests in commercial property development and oil and gas exploration.

Total income for the year to end-March 1985 rose from £17.78m to £18.69m but, after outgoings and costs, operating profits fell by nearly £1m to £7.76m.

However, *this fall* was more than offset by related companies which increased their contribution from £6.62m to £9.99m—net interest charges were down from £2.88m to £2.51m and other income added £1.25m (£692,000).

The final dividend is being stepped up by 20 per cent to 1.5p, making a *total 2.2p* (1.85p) which is covered more than twice by earnings per share of 5.84p (5.38p).

Shareholders' funds increased by over £13m to £173m, including a £9m surplus produced by an internal revaluation of investment property. However, the company stresses that it does not have regard to the considerable sum by which market values exceed the balance sheet figures for property held in trading companies and for such substantial investments as the shareholdings in Century Power & Light and First Leisure Corporation.

Gross rental income from investment property rose by almost £2m to £15.4m, with net revenue marginally higher at £11.1m after provision for £2m of largely non-recurring outgoings related to The Angel Centre. With that complex now fully let, the continuing improvement in rents and the ongoing development of the property portfolio, significant further growth in net rental income can be expected, say the directors.

In the energy division, Century *Power and Light contributed* £9.44m (£3.36m) with the benefit o fthe first full year's production from the Maureen field. It is hoped that gas production from the Audrey field will commence *in 1988 and other North Sea* development prospects are being actively processed.

Century has a 15 per cent participation in two auction blocks and four discretionary blocks awarded in the 9th round of North Sea licensing and has also extended its interests to on-shore exploartion in south-east France.

Consolidation of the LMS North American administration is proceeding and "should produce cost benefits." Oil and gas reserves remain intact, but trading conditions continue to be difficult. In the UK, LMS has acquired 33.2 per cent of The Winterbottom Energy Trust—a *specialist investment trust*—and is represented on its board.

● **comment**

Rent reviews plus a full year *from the Maureen field in* the North Sea have produced this good, if well expected, result from Lord Rayne's LMS. On City House in Croydon another £400,000 from last year's review and on Sanctuary House in Lambeth the coming of age of a 21year lease produced a further gain in excess of £1m. Also the Angel Centre in Islington has now been let to British Telecom and along with another major development in the same part of London should see the group's holdings in this area appreciate by association. While the property in the portfolio is fairly fully valued the same cannot be *said for its stakes in associates* Century Power and Light (North Sea oil and gas) and First Leisure. The *only* black spots of note were some write-downs on subsidiaries and a loss at the new publishing venture, Multimedia. The future of this latter operation has to be in doubt, although a fresh management team has been injected. For *1986 £20m* pre-tax should be achieveable and the shares look *a little cheap at 79p* on an historic fully diluted multiple of 20.

Warning goes out to Milbury shareholders

BY DAVID GOODHART

Poco Builders, the company which bought a 78 per cent stake in Milbury Homes from controversial financier Mr Jim Raper for £1, has written to the 850 shareholders saying that subject to further investigation it is "extremely unlikely" that there will be any return for them.

Mr Roy Dixon, managing director of Poco, says he was fully aware that the two most valuable parts of Milbury—Milbury Homes South and the Westminster Property Group—had been shifted into Mr Raper's holding company St Piran before his acquisition was made.

He does, however, stress that the Milbury accounts presented to the 1984 AGM over-valued the company by nearly £7.5m even before the "questionable" withdrawal of Westminster and Milbury South.

On September 4 an EGM of Milbury Homes Ltd decided to apply for a compulsory winding up order.

Poco had hoped it could negotiate with the secured creditors —when it bought Milbury—and transfer all the assets into a vehicle that a liquidator could dispose of. "Poco considered that they would be in a favourable position to negotiate with a liquidator, but the ultimate decision would lie with the secured creditors."

Cookson pays BTR £8m for rest of Alpha Metals

BY DAVID GOODHART

Cookson Group, the metals and industrial chemicals company, yesterday announced a U.S.$10.8m (£8.24m) cash payment to BTR for the acquisition of the outstanding 50 per cent of shares in Alpha Metals of Hong Kong.

Cookson bought the bulk of Alpha in January 1984 for $26.5m with a final option date of March 1986 for BTR's shares in the Hong Kong subsidiary.

The company said yesterday that its decision to bring forward the purchase was indicative of its "sharp" progress and a wish to expand further in the Far East.

The other 50 per cent of Alpha Hong Kong was bought from local businessmen in May for a similar figure to that paid to BTR.

The Hong Kong company had a pre-tax profit of $3m on turnover of $25m in 1984. It produces and markets solder metal and chemical products for the electronic industry — 50 per cent of sales are in Hong Kong itself

Mr Fergus Munro, group finance director, said that following the recent move into the U.S., the company was now turning its attention more to the Far East and has recently set up a holding company in Hong Kong—Cookson Holdings.

Savoy Hotel replies to THF with 40% rise

...PROFITS at the Savoy Hotel rose by 40 per cent in the first six months of 1985, normally the quieter half, and the company took the opportunity to deliver another message to Trusthouse Forte, which has been trying since 1981 to win control of it.

Mr Giles Shepard, managing director of the Savoy and its string of prestigious hotels, said: "These results demonstrate clearly the continuing popularity of the company's hotels and restaurants among Londoners and visitors, and the determination of the management and staff, supported by all the directors, to retain the independence of four of the most renowned hotels in the world."

In apparent response to recent THF criticisms of the Savoy's record of capital spending, Mr Shepard said that £4.6m was spent in the period of capital improve*ments,* "*thereby* ensuring that the properties are kept in first class condition and retain their pre-eminence."

The taxable outcome for the period to June 30 came to £4.73m, against £3.37m, on total trading receipts of £27.82m, up from £24.33m. Depreciation was up from £519,000 to £890,000, reflecting the higher expenditure on the continuing programme of capital expenditure.

● **comment**

Every profit announcement from the Savoy for the past few years has been another brick in the defensive wall keeping out THF, and yesterday's was true to form. No matter that the supposedly slack half was nything but that, with tourists flooding into London from early in the year—*a profit rise of two-fifths will* have left the Forte camp with little cheer, and a dwindling stock of ammunition with which to conduct the guerrilla war. This was further reduced with the news of greatly increased spending on capital improvements, some £2m ahead of the comparable period. Those Forte accusations of a "tatty" Savoy obviously stung. There is no doubt that the group has come a long way to meeting THF criticisms, but it would be patronising to suggest that this has been merely cause and effect. However, if it is to keep up the rearguard action, it will have to seriously consider the notion that it may be approaching capacity. The big volume increases of this half were made because there was slack to take up in the first place, and it is hard to see *how the Savoy will* be able to keep it up. By this time next year the sale of the east wing may be seen in a different light. Meanwhile, the shares stay outside Forte's reach at 368p, up 3p, for the A, and the precious B at £95.50.

Willis Faber climbs 28% to £32.6m at interim

INSURANCE BROKERS Willis Faber reports pre-tax profits on ordinary activities up from £25.52m to £32.6m, an increase of 28 per cent, for the *six* months to June 30 1985. Income increased from £55.95m to £70.46m, but expenses were £44.61m against £36m.

The interim dividend is being increased by 43 per cent from 3.5p to 5p net—last year's total was an adjusted 13p from pre-tax profits of £47.02m (£38.33m). Stated earnings per 25p share climbed from 16.23p to 21.62p, a 33 per cent improvement.

The directors say the higher interim dividend *is* to reduce disparity with the final, and they say the rate of increase at the interim stage should not, therefore, be taken as a guide to the full year rate of increase.

Mr David Palmer, the chairman and chief executive, says the international and domestic broking companies produced another excellent result against a background of contraction of worldwide underwriting capa*city and restoration of premium* rates to more realistic levels.

The performance of the group's Lloyd's underwriting agency was slightly better than anticipated based on the out-turn of the 1982 underwriting account.

In common with other world markets, its insurance companies have produced *unsatisfactory* results. The non-marine account has been further curtailed and it was announced in June that the group's two underwriting management companies will merge at the year-end.

The restructuring of its South African interests have been completed with the formation of Willis Faber Enthoven, in which it has a shareholding of 40 per cent.

A substantially increased contribution by Morgan Grenfell justifies the board's confidence in fully supporting its rights issue last year. Faber has a 23 per cent interest in Morgan Grenfell.

During the first half, investment income benefited from the strong growth in business volume and high sterling interest rates. These favourable *factors were partly offset* by the reduction in group funds through higher capital expenditure on systems equipment and the Morgan Grenfell rights issue.

The group's results, say Mr Palmer, have been improved by approximately £3m as a result of favourable exchange rates compared with the first half of 1984. *It is continuing* the policy *of* selling forward selectively part of its foreign exchange income and has extended the time period over which this policy operates.

Commenting on the group's expenses, he says these have been affected by the heavy increase in the *cost of* Professional Indemnity Insurance and by increased provisions for bad debts which it considers prudent in current conditions.

Mr Palmer says the group's satisfactory results have been achieved in demanding market conditions. He says the second half has shown an encouraging start.

First half tax was £13.7m compared with £11.65m. After minorities of £849,000 (£301,000), profit attributable to shareholders was £18.05m against £14.49m.

See Lex

Croda shows 20% increase

Croda International, chemicals group, raised pre-tax profits by 20 per cent *to £10.26m in the six* months to June 30 1985 compared with £8.52m in the first half of last year, continuing the steady progress of the last five years.

There was a good performance from Croda Chemicals International, which lifted pre-tax *profits* 37 per cent to £7.48m (£5.45m).

Group turnover was up 13.6 *per cent to £207.7m* (£182.82m). £12.26m (£9.75m). Income from The cost is included in The interim dividend is being maintained at 3p.

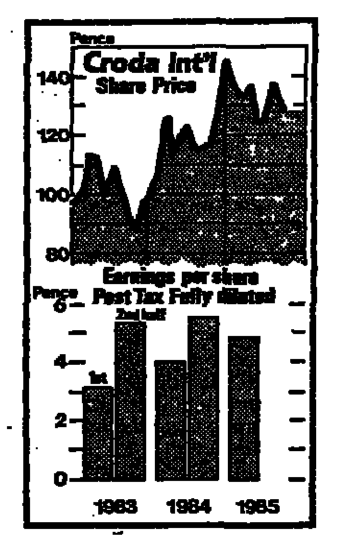
For the second half, Sir Frederick Wood, Chairman, says sales are continuing satisfactorily. But he warns that a stronger pound and continuing high interest rates may have a marginally adverse effect on levels of demand.

Group trading profit was £12.26m (£9.76m). Income from investment and property added £138,000 (£185,000), giving operating profits of £12.40m (£9.94m).

Net interest payable was £2.14m (£1.42m). UK tax took £2.11m (£1.94m) and overseas tax £2.08m (£1.85m), leaving profits of £6.08m (£4.73m). Minorities and preference dividends took £42,0000 (£72,000) and there were extraordinary debits of £1.48m (£430,000).

Earnings per 10p share basic were 5.28p (4.39p) and fully diluted 4.88p (3.98p).

A breakdown of pre-tax profits shows Croda Polymers International had a good half-year, with profits up to £1.84m (£1.35m). Sir Frederick says this was partly due to the sale of the loss-making UK printing ink business.



Croda World Traders, which includes most of the older capital-intensive divisions, was down to £483,000 (£1.29m), mainly, he says, because its trading division incurred losses on forward commodity contracts.

Cromano Consumer Products was also down at £155,000 (£248,000). Sir Frederick says most of its business is seasonal and it again expects to earn most of its profit *in* the second half.

The share in the profits of related companies added £301,000 (£186,000).

Sir Frederick says the rationalisation of production facilities in the oil refinery divisions is underway. It involves the closure of two plants in London. London. The cost is included in the *£1.48m* charge *for* extraordinary items.

● **comment**

At first sight these results make Croda look alarmingly lopsided, with only the chemicals division doing well. Two out of the four divisions were well down on last year and a third improved only via the sale of a loss-making subsidiary. On closer inspection the downturn from Croda World Traders was due to a one-off accident with peppermint oil futures, which may have cost a total of £500,000; while the other disappointment, Consumer Products, is so seasonal that first half profits are a very poor indication of the year's outturn. A warning about the overall effects of a strong pound and high interest rates on second-half demand, should not be taken too seriously, and the company is likely to make £23m in total this year. A high p/e of 11 on *a share price of 127p (assuming* 41 per cent tax) demonstrates that the market is not judging the company on its earnings. A yield of 7.9 per cent prevents the shares from falling much, while spasmodic bid hopes explain their periodic rallies.

UK COMPANY NEWS

LOFs suspended as bank talks reach crucial stage

BY CHARLES BATCHELOR AND JOAN GRAY

London & Overseas Freighters the ailing tanker company, yesterday called on the Stock Exchange to halt dealings in its shares because talks with its bankers have reached a crucial stage.

Dealings were suspended at 2p to value LOFs at £1.12m. Mr Miles Kulukundis, managing director, said: "We felt the discussions we have been holding with our bankers are reaching a crucial stage. There had been no movement in our share price but we felt it was appropriate to suspend the shares. This should not be interpreted either as a negative or a positive move."

LOFs expects to make a further statement within the next few days.

In June the company announced that it was talking with its bankers about further financial help, less than a year after receiving £9m from a rights issue.

LOFs made a loss of $9.24m (£7.1m) in the year ended March 1985 compared with a loss of $16.4m in 1983-84. Mr Derek Kimber, LOFs' chairman, told the annual meeting in July that talks with the bankers were not proceeding quite as fast as the company would have liked.

The banks are Williams and Glyn's, Bank of Nova Scotia, Bankers Trust of America and Sumitomo Corporation.

LOFs is only the latest in a number of UK shipping companies to run into difficulties, though problems of overcapacity and low rates have affected the shipping market throughout the world, culminating in the spectacular collapse of Japan's Sanko Steamship, the world's largest tanker operator, in August with liabilities of £1.6bn.

In Britain, casualties started this year with the collapse of the Bristol-based Spanocean Line, known as Sol. This went under with an estimated deficiency to creditors of £12.73m and one of its ships, the Gothic Wasa, placed under arrest in Rotterdam by the Midland Bank.

In February, the Cardiff-based Reardon Smith Line, a dry cargo company, announced that it had lost £2.01m in the six months to end-September 1984. This compared to a previous profit of £465,000, bolstered by disposing of vessels. The directors said they were hoping for an upturn in world trade but emphasised that rates in dry cargo would have to improve before operating and capital costs could be recovered.

In June, Reardon collapsed after 80 years in business, with the crew of its bulk carrier Tacoma City occupying the ship in protest about unpaid wages.

Mr Bob Chatterton, Reardon's chairman, said he had decided to put the company into voluntary liquidation as a result of the sharp fall in ship values and the persistent weakness of freight rates.

In May, the Glasgow-based Lyle Shipping announced that it incurred nearly doubled pre-tax losses of £16.5m for the 1984 year, having abandoned its diversification policy to concentrate on shipping interests.

"Many of the industry's problems are of its own making," commented Mr C. A. MacLeod, the chairman, "resulting from an imbalance between supply and demand."

In June, Hunting Gibson announced that it had completed withdrawing from its loss-making shipping activities. The company—part of the Hunting empire—was concentrating on property and computer services interests.

Last week, the Newcastle-based Common Brothers shipping group announced a financial restructuring to release it from debts totalling £34m.

These gloomy company reports illustrate the decline of British shipping overall: the British merchant fleet has halved in the last decade, and 25,000 seamen have left the industry.

Hammerson expands in Europe

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Hammerson Group, one of the UK's largest property development and investment companies, is buying a portfolio of French properties from ICI Pension Funds for £31m.

The deal, to be satisfied by an issue of shares, will give the Funds a 5 per cent stake in Hammerson.

The property group wound down its European operations after pursuing an active development programme in the late 1960s and early 1970s. Hammerson said that yesterday's deal would form the basis for a fresh expansion of operations in Europe.

The portfolio was created by ICI and a number of UK development partners during the early 1970s and comprises 16 freehold office, retailing and warehouse properties located in central and suburban Paris.

It is expected that Hammerson will, as in other recent overseas acquisitions, dispose of a substantial number of the newly acquired buildings—particularly those in secondary locations—and use the funds to improve the retained properties.

All the buildings are fully let and they produce a current gross annual rental income of FFr 42m (£3.58m) There are 80 different tenants in the properties.

Mr Sydney Mason, chairman of Hammerson, said the group had for some time been anxious to step up its European operations, which have recently contributed only 1 per cent of worldwide net rental income.

The group's presence in Paris would, he hoped, give rise to further portfolio acquisition opportunities. A development programme would also be considered, although opportunities in Paris were very limited.

The Paris office market is currently one of the strongest in Europe.

The latest acquisition represents a further significant overseas expansion for Hammerson, which now has about two-thirds of its property portfolio abroad.

Distillers' share price falls 17p

Financial Times Reporter

The Distillers Company share price started slipping yesterday following confirmation that the Takeover Panel is interpreting the recent statement from the Argyll Group to mean that no bid will be made for "three or four months." Distillers closed 17p down at 388p.

On September 2 Argyll admitted an interest in Distillers but said no offer would be made "at the present time."

Mr Tim Barker, director-general of the panel, said yesterday: "Before making the statement Argyll's advisers discussed the position with the Takeover Panel.

"It was accepted that if a statement in such terms was made, Argyll should not make an offer for a reasonable period, which was agreed to be three to four months,

Oil shares plummet on news of Saudi price cuts

BY DOMINIC LAWSON

THE stock market value of big oil companies plummeted yesterday following a report that Saudi Arabia had drawn up cut-price oil sales contracts with Exxon, Mobil, Texaco, Shell and Mitsubishi, the Japanese trading house.

British Petroleum's share price fell 13p to 555p, Shell's 12p to 708p, Britoil's 11p to 215p and Lasmo's 10p to 260p.

The shakeout helped Enterprise Oil in its £122m cash bid for Saxon Oil, the UK independent oil company. For the past week Saxon's share prn1pdripdi week Saxon's share price has held firm at 545p, 5p above the 540p price offered by Enterprise, thus preventing Enterprise from buying more of Saxon in the market.

But yesterday, hit by the report of the imminent Saudi deals, Saxon's price fell 5p to 540p and Enterprise snapped up a further 287,000 Saxon shares, lifting its stake in Saxon to 19.9 per cent.

Mr John Walmsley, Enterprise's finance director, said last night: "We are again picking up stock in the market and it seems that the unsettled state of the Middle Eastern oil market is making cash an attractive proposition to Saxon shareholders."

Although Saxon's board has recommended the Enterprise bid, it did so grudgingly and on a 5 to 4 split vote, with the four executive directors voting against.

ML in £4m rights to reduce borrowings

A £4.17m rights issue has been launched by ML Holdings, the engineering group, on a one-for-two basis at 225p per share.

Despite the deep discount to the share price of 323p before the announcement the issue has been underwritten by Sheppards and Chase.

The proceeds—around £4m after expenses—will reduce short term borrowings. ML's turnover and profits before tax have increased by over 50 per cent during the last two years and the increase in working capital requirements together with £2m of capital expenditure (mainly on the defence and signalling equipment activities) have been funded by bank borrowings.

Although no profits forecast is offered for the current year the directors say that a high level of activity is expected to continue in defence operations. Orders for the railway signalling equipment, over 70 per cent of which are for export, have reached a record level.

ML is predicting an increase in dividends from 7p to 7.7p per share on the enlarged capital.

The issue is subject to approval by shareholders at an extraordinary meeting called for October 4.

● **comment**

ML is reviving the rights issue market with some fairly timid pricing. The offer has been pitched at a 30 per cent discount and yet the underwriters have still been brought on board. However, relative to its size, ML is launching a heavy issue, and, more importantly, there is clear concern that the bid rumours flying around have unrealistically inflated that price. After all acceptance is almost two months away so some caution by ML's advisors is not surprising. Anyway the need for a rights issue is clear. In the last balance sheet capital gearing stood at 45 per cent, though perhaps more indicative of the trend is the jump in 1984-85's interest charge from £290,000 to £873,000. The shares held up surprisingly well with a slip of just 13p to 310p yesterday.

Pru in £26m sale

Prudential Assurance is selling a half-stake in one of its major UK shopping centre investments to Shell Pensions Trust for approximately £26m.

The Stoneborough Centre, Maidstone, which opened in 1977 and has 450,000 sq ft of retail space, will continue to be managed by Prudential Portfolio Managers, the investment management arm of Prudential Corporation.

It is believed to be the first time that the Prudential has decided to sell off a major share in one of its principal property investments and reflects the insurance group's reservations about the property investment market.

Although returns from property in the UK have recently begun to improve and institutional interest has been reviving, the Prudential has maintained a highly cautious approach to further investment

Single investments in excess of £20m are less plentiful and fresh formulae to syndicate ownership of major property assets among several funds are now being devised.

Automotive Products hit by sharply higher interest costs

SHARPLY HIGHER interest charges cut Automotive Products' pre-tax profits to £3.3m over the first six months of 1985.

This compares with a break-even situation for the preceding six months and with a restated £3.9m for the opening half of the previous year.

For the second six months the directors are looking for a reduction in interest costs which should help profits. Meanwhile, they are holding the interim dividend at 1p net.

Sales for the first half at £133.7m were some 20 per cent ahead of those for the second half of 1984 and up by 8 per cent compared with the same period a year ago—the group manufactures equipment for vehicles and aircraft.

Sales by overseas companies increased by 60 per cent over the corresponding period, but UK sales fell by 3 per cent as a result of lower sales to Iran and an industrial dispute in the precision hydraulics division.

At the operating level, profits improved to £8.6m, a rise of £0.5m on the first half of 1984 and £3.7m on the second six months.

The pre-tax results were struck after absorbing a £1.1m rise in interest charges to £4.9m and taking account of a £0.2m share of associates' losses, against previous profits of £0.3m.

Tax for the half-year took £0.7m (£0.6m) and extraordinary items £1.2m (£0.9m). Earnings were 3.92p (5.11p) on a net basis.

The directors say that while margins in the motor industry continue to be narrow and a measure of uncertainty as to future levels of production will persist, the group is continuing to make progress in Europe, the U.S. and with its cost levels in the UK.

UK operational costs will benefit during the last quarter of 1985 from the progressive closure of the Banbury factory.

● **comment**

The figures from Automotive are a long way short of impressive but there have been some exceptional factors at work and there is every reason to believe 1986 will see a sharp increase in profits, even if this year remains dull. In the half year the strike at Precision Hydraulics cost the group £¾m of lost profit while sales to Iran were in one of their all too frequent troughs. The South African associate swung round by £¼m into the red and high interest rates pushing borrowings costs up by £1.1m, even though the underlying borrowing remained static. Overseas, of course, was much better with a buoyant performance in the U.S. and the new Italian brakes factory operating on schedule and set to contribute before the year end. Overall profits should be at least £7m, for a p/e of 9½, assuming a 25 per cent tax charge. Next year the savings from Banbury (perhaps £5m) will flow through and with Italy on song it is not inconceivable that profits could double. Despite some false dawns in the past the shares are not expensive at 74p.

Kewill Systems joining USM

Kewill Systems is joining the Unlisted Securities Market via a placing of 1.2m shares by Heseltine, Moss at 79p to raise £950,000. Half of it will be new money. The company, which designs and markets computer-based production control systems, is valued at the placing price at £4.45m.

In each year since 1981 turnover has doubled, while profits have moved from a small loss to a profit of £500,00 in the year to March 1985. Based upon this figure, the shares are being sold on a price/earnings ratio of 15.4 and a yield of 2.16 per cent assuming a dividend of 1.2p.

Anchor in U.S. deal

Anchor Chemical Group, which owns half of Pacific Anchor Chemical Corporation (PACC), is to buy the other 50 per cent of the U.S. company from the Kay Corporation for $3.7m (£2.84m). PACC makes epoxy resins.

Anchor, which has raised a medium term doldar loan to fund the transaction, said the deal would give it an enhanced strategic presence in the U.S.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Automotive Prods.	int.	1	Oct 4	1	—	1.5
William Bedford‡	int.	1.5	Oct 17	—	—	—
Booker	int.	4.25	Jan 2	2.75	—	9
Breakmate‡	int.	1	Nov 1	—	—	1
Creda Intnl.	int.	3	Dec 2	3	—	7
Dunton Group		0.24‡	Oct 24	—	0.24	—
Estates and Gen	int.	0.83	Nov 13	0.75	—	2.3
Expamet Intnl.	int	2.35	Nov 22	2	—	5
F & C Eurotrust		1.7	Oct 16	1.6	1.7	1.6
Hestair	int.	1.5	Jan 2	1.5	—	3.58
Home Charm	int	1.2	Oct 25	1	—	2.75
John Kent‡		1.08	Nov 12	0.8	1.5	0.8
London Merchant		1.5	Nov 2	1.25	2.2	1.85
Magnolia Group	int.	0.75¶	Oct 14	0.6	—	2.6
Mayhew Foods‡		0.88	Nov 1	—	0.88	—
Media Technology‡		1.6	Oct 31	—	1.6	—
Riverview Rubber	int	8‖	—	6	—	22
Suter†	int	1.4	Nov 30	1.2	—	3.5
Tottenham Hotspur		2.5	Nov 7	2.3	4	2.3
Willis Faber	int.	5¶	Nov 4	3.5*	—	13

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity. ‖ In Malaysian sen.

UK COMPANY NEWS

Mayhew Foods tops profits forecast

Mayhew Foods has reported pre-tax profits of £1.23m for the year to the end of May 1985, which is ahead of the £1.15m forecast at the time of its flotation on the USM in February this year.

The result was achieved on turnover up by 18 per cent to £20.88m against £17.77m, and compares with taxable earnings last year of £1.02m. With tax at £362,000, against £106,000, earnings per 10p share came out at 7.5p (8.1p).

As forecast a final dividend is proposed of 0.875p.

The shares, which in early trading had risen to 128p, fell back after the announcement to 125p, but closed at 128p, up 5p, on the day.

Mr Robert Mayhew, chairman of the East Sussex-based supplier of fresh and processed chicken, says demand from the major multiple retailers has continued to advance and sales of fresh poultry rose by 16.7 per cent. Prepared foods division sales rose by 18.2 per cent.

He adds that the first quarter of the present year is encouraging for both divisions and hopes the full year results should show a further significant increase

Suter boosted by organic growth

Suter, the engineering, distribution and packaging group headed by Mr David Abell, yesetrday reported a near two-and-a-half-fold increase in interim taxable profits to £4.2m on turnover up by £28.84m to £50.96m.

Mr Abell said that while the figures included valuable first-time contributions from recent acquisitions Francis Industries and Lake & Elliott, the increase in profits was largely attributable to "substantial organic growth within our established businesses."

He also disclosed that Suter might take legal action against former directors of Francis, its auditors, Morison Stoneham, and its merchant bank, Lazard Brothers, over Francis's failure to meet a revised profit forecast made during the takeover bid.

He said Suter was still at the negotiating stage, but would take formal action "if nothing else happens within weeks."

Yesterday's profit figures — which were above market expectations — compare with £1.71m for the first six months of 1984 and £4.1m for the full year. Earnings per share were up by 25 per cent to 8p and the interim dividend is being increased by 17 per tcent to 1.4p. The board intends to recommend a dividend of 4.2p (3.5p) for the year.

Mr Abell said the recent rights issue and the excellent trading performance in the first half had placed the company in a strong financial position from which to finance further expansion by internal growth and acquisition. He was confident the successful first half would be continued throughout 1985 and this was borne out by trading results since the end of June.

In the first half, the light engineering group experienced organic growth, with Searle making "a vital contribution" to a 80 per cent profits and sales increase, and also benefited from results of the newly acquired Clearplas plastic moulding businesses in Britain and France.

The packaging group, acquired as part of Francis Industries, had a "somewhat disappointing first half" but this was anticipated following the below-forecast achievement of these businesses in 1984.

● comment

Suter's very good interim is impressive in that it shows the company getting strong growth (70 per cent in operating profits) from its existing, mature niche businesses rather than relying on the contributions of new acquisitions. Indeed, it is taking time to sort out some of the problems acquired with Francis, particularly on the packaging side, where there will be second half rationalisation costs, almost certainly taken above the line. Against that, however, most sections of the business look set for continued good growth in the final six months, helped along by the rights issue proceeds and a fuller contribution from Lake & Elliott. Taxable profits of £8.5m should be attainable. On last night's closing price of 150p, up 7p, and an assumed 35 per cent tax charge, that puts the shares on a prospective p/e of about 12, showing that for all its growth and strong balance sheet, Suter has yet to allay City suspicions about its penchant for share dealing.

Blackwood Hodge delays dividend return

ALTHOUGH borrowings have been reduced by £10.1m to £38.7m in the first six months of 1985 Blackwood Hodge directors say that gearing is still too high and the company will not be resuming the divildend payment.

They add that £4m of the fall was attributable to exchange rate movements.

In the period taxable profits for the distributor of earthmoving equipment rose by 86 per cent from £1.18 to £2.19m. That would have been higher if the contributions of £644,000 in 1984 from the Cummins businesses, which were sold towards the end of the previous year, were ommitted.

Turnover rose by 2.3 per cent to £103.63m (£101.25m) but again £18.2m of the compartive figure related to Cummins.

The tax charge was £865,000 (£520,000) and minorities took £201,000 against £102,000, to leave attributable profits at £1.13m (£559,000) and earnings per share of 1.36p against 0.65p. With preference dividends taking an unchanged £46,000, the retained profit was £1.08m more than double the previous year's £513,000.

Mr A. C. Richards, the chairman, says the turnover on a comparable basis increased by £12.2m, mainly due to exports. He adds that domestic activities have not fully recovered from the miners' strike. However in the major countires of Australia and Canada turnover increased by 11.7 per cent and 15.4 per cent in local currency terms.

He says that the recovery seen in the first six months should be maintained in the rest of the year although the same level of UK exports may not be achieved.

● comment

Blackwood Hodge is showing that there is life after the disposal of what was once seen as the best part of its business—the UK and Australian distributorships for Cummins' diesel engines. These interim figures show a four-fold increase in the performance of the underlying business if the Cummins' effect is stripped out. However, the reason for the sale—to reduce group debt—has been frustrated by exchange rate movements. Just over half the outstanding £38.7m is denominated in Canadian dollars or Rand but this is not matched by assets of the same amount and kind. As a result a one fifth drop in net debt has been offset by a sharp fall in net assets and the gearing has stubbornly not budged from an overheated 133 per cent of shareholders' funds. The year end depends for a favourable result on the weakness of sterling. At 34p the shares have a prospective multiple of 11 on a forecast £4m pre-tax and a 40 per cent tax change. South Africa could be hurting by then however.

Encouraging first half for Hestair

Hestair, the Berkshire-based industrial group, recovered strongly over the six months ended July 31 1985 and the directors are expecting a good second half, leading to real progress in 1986.

They point out that although substantial costs have yet to be absorbed within the vehicle division and many physical changes accomplished there is a growing air of confidence within the group.

For the opening half year turnover pushed ahead from £54.59m to £56.1m and at the pre-tax level Hestair swung from losses of £107,000 to profits of £1.24m—just £120,000 short of the figures for the previous full year.

The interim dividend is being held at 1.5p net from earnings of 4.3p (1.1p losses) per 25p share.

Tax accounted for a same-again £160,000 but there were extraordinary credits this time of £1.71m, against a previous deficit of £211,000.

The directors say the return to a useful level of first half profit is an encouraging mid-term pointer. It was achieved as a result of record profits from Hope and encouraging first half performances from the employment bureaux, Kiddicraft (toys) and farm equipment.

Reorganisations of the vehicle division is proceeding according to plan with about half the major physical moves completed and costs only slightly higher than those budgeted.

The non-vehicle companies are expected to continue their excellent first half performances.

Before the year-end Hestair intends to open several more branches to give over 30 Atlas branches in London alone.

● comment

Hestair's Atlas employment bureaux have more than doubled (to just under £1m) their contribution to the group's rather disparate trading profits. This together with the impact below the line of the sale of the Guildford site—on which £6½m was realised over book value—is enabling the group to fund the rationalisation of the unhappy special vehicles division without halting the profits improvement. By the year end the problems of refuse trucks, fire engines and coaches should be resolved and what was once Hestair's leading division will be relegated to equal third place along with toys and farm equipment. On the employment agency side, Hestair has broken-off talks with Brook Street and seems content with organic growth for the time being—although if a small target as sweet as Rand comes along it will no doubt be interested. For the full year £3m pre-tax should be possible which on a 35 per cent charge has the shares still somewhat underated at 87p, up 6p.

Home Charm up to £5.6m

Home Carm Group, supplier of DIY and home improvement goods, increased pre-tax profits by 20 per cent to £5.63m in the 24 weeks to June 15 1985 compared with £4.69m in the first half of last year.

Turnover grew 28.7 per cent to £100.39m against £78m.

The interim dividend is being raised 0.2p to 1.2p net.

The directors expect another successful full year.

Thirteen superstores have opened since the beginning of the year and another 25 stores are exepected to open in the second half, giving the group 136 stores, including eight Texas bulk units.

The poor summer affected sales of seasonal products but, apart from this, turnover continued to be satisfactory, says Mr H. E. Fogel, chairman.

Trading profit rose to £8.49m (£6.85m). Pre-tax profits were after deducting depreciation of £2.46m (£1.67m) and interest payable of £1.1m (£657,000) and adding in interested receivable of £424,000 (£164,000) and profits of £276,000 (nil) on disposal of assets.

Tax took £2.59m (£2.17m), leaving net profits of £3.04m (£2.52m) — extraordinary items took £241,000 last time. Basic earnings a share were 7.1p trading from a total retail selling

Negotiations are advanced over the sale and leaseback of the company's new freehold central distribution warehouse at Wellingborough, Northamptonshire.

By year-end the group will be trading from a total retal selling area in excess of 3.4m sq ft, compared with 2.6m sq ft at the beginning of the year.

● comment

It is getting very hard to keep up with Home Charm's growth in floorspace. As the fast breeder among the DIY megastore operators it plans to add 800,000 sq ft this year to its end-1984 total of 2.6m sq ft. So far sales per sq ft are holding up—there was a 6.5 per cent increase from 1984's £77 level to £82 per sq ft (on an annualised basis) by mid-June. However, the 25 new store openings planned for the second half will hold back profits, pre-opening direct costs alone will eat up £1.6m above the line. Gearing still looks very high but the sale and lease back of the Wellingborough warehouse should be completed soon and that would wipe £10m off the debt total of £27m even if it also reduces some of the Enterprise Zone advantages of the national distribution centre. Concern that opening costs in the secund half will hold Home Charm back a bit has led the anaysts to shave about £1m off their forecasts for the year—to some £13.5m. This has the shares at 334p, down 18p, trading a shade modestly on a prospective multiple of 20 with a 45 per cent tax charge.

Strong advance at Addison Page

THE FIRST figures to be revealed by Addison Page since its formation from the merger of Addison Communications and Michael Page Partnership record a strong advance by the corporate, financial and employee communications group.

On turnover ahead by 60 per cent to £8.5m (£5.3m) in the first half of 1985, pre-tax profits for this USM company rose by 49 per cent from £929,000 to £1.38m. Earnings per share came out at 4.7p against 3.1p. The comparative figures are the combined results of the two former companies on the basis of merger accounting.

As indicated in the merger document, the directors intend to pay the company's first dividend as a final dividend for the year. In the absence of unforeseen circumstances, this is forecast to be not less than 2.3p.

The company is seeking to expand its range of services. All operating divisions enjoyed buoyant trading in the first six months.

The company is in the process of moving its London operations to new premises in order to facilitate planned growth in personnel.

Prospects in all sectors continue to look favourable and board is confident of being able to achieve good results for the full year.

● comment

There was not a single black spot in Addison Page's first set of results—but then the market was not expecting any either, and the shares after a sharp rise over the past few weeks closed 10p down yesterday at 230p. Not only are all the existing divisions thriving, adding clients and increasing profits, the company is continually expanding into new markets. Of these there seems no shortage, and in the next year or so Addison plans to extend its presence into advertising, market research and audio visual presentations. It is playing down the synergies resulting from the merger, much hyped at the time, arguing that things are going well enough as it is. In the meantime its major London operations are moving into larger, smarter offices relieving one of the brakes on expansion. Profits for the full year of £3m should be made with little trouble, and after a 42 per cent tax rate would imply a p/e of 22. Addison Page is one of the better run companies in the sector and deserves such a premium rating.

Record year for Dunton

Dunton Group, civil engineer, produced record pre-tax profits of £231,211 in the year to May 31 1985—up 138 per cent on the £97,026 for the previous year.

Mr Alan Sore, chairman, says the result is a direct consequence of the group's careful expansion of its property development and brick-making subsidiaries. Brick production more than doubled during the year.

For the first time since it was floated on the Unlisted Securities Market in January 1981, the company is paying a dividend—of 0.24p.

Prospects remain encouraging, says Mr Sore, and with all subsidiaries trading satisfactorily he expects the results for the current year to compare favourably.

Turnover was up to £1.70m (£1.28m). Tax deductions were £48,476 (£23,060) but there were no extraordinary debits compared with £44,845. Attributable profits were £182,735 (£75,241).

The company has entered into a third joint venture with Harman (Chesham) and bought a 2.1 acre site in Chesham, Buckinghamshire, for £556,000. The plan is to build 59 houses.

He says the directors expect an increasing contribution to profits from property development and they are examining further projects.

Magnolia lifts profits halfway

Pre-tax profits have more than doubled at **Magnolia Group (Mouldings)**, from £210,000 to £481,000 in the first half of 1985.

Turnover for this maker and importer of picture frame mouldings improved by 32 per cent to £7m (£5.32m). The directors say that the improvement in sales is being maintained, and the company's factories are operating at a higher level of activity, although there is some pressure on margins.

In order to reflect the increase in earnings to 3.57p (1.84p), and to reduce disparity, the interim dividend is lifted to 0.75p (0.6p).

Tax took £277,000 (£105,000).

BOARD MEETINGS

TODAY

Interims: Associated British Ports, Aurora, B. A. T Industries, B T R, Banro Industries, Blockleys, Boustead, Bowater Industries, Costain, Dinkie Heel, London Park Hotels, Nordin and Peacock, Reckitt and Colman, V.G. Instruments.

Finals: Atlantic Computers, Chambers and Fargus, Haynes Publishing, Sirdar, United Real Property Trust.

FUTURE DATES

Interims—	
Aidcom International	Sept 23
BL	Sept 18
Barr and Wallace Arnold Trust	Sept 17
British Printing and Communication	Sept 19
Business Computer Systems	Sept 18
Delaney	Sept 18
Lyon and Lyon	Sept 13
Metalrax	Sept 23
Oilfield Inspection Services	Sept 12
SCUSA	Sept 20
Steetley	Sept 24
Sunlight Service	Sept 27
Systems Designers	Sept 17
Yule Catto	Sept 19
Finals—	
British Benzol Carbonising	Sept 17
Dowding and Mills	Sept 25
Intereurope Technology Services	Sept 17
Riley Leisure	Oct 1

UK COMPANY NEWS

European defeat hits Tottenham

BY FRANK KANE

Tottenham Hotspur Football Club yesterday announced disappointing results for the 1984-85 year and gave some indication of the likely effect of the ban on English clubs participating in European football.

Profit on ordinary activities in the 12 months to May 31 fell to £687,000 from £902,000. Mr Paul Bobroff, group chairman, said the club's early exit from highly-profitable European competition last season was the main reason for the reduced figure.

In addition, attendance at home league matches during the last few weeks of the season was disappointing. There was, however, a significant increase in income from matches. Revenue from season tickets and "executive boxes" also showed a small increase over the year. Total revenue was ahead slightly at £4.87m (£4.76m).

At the pre-tax level, the company benefited from a lower deficit on the transfer of players, reduced from £492,000 to £34,000, and forecast by Mr Bobroff at break even for the current year. Taxable profits came to £653,000 against £410,000.

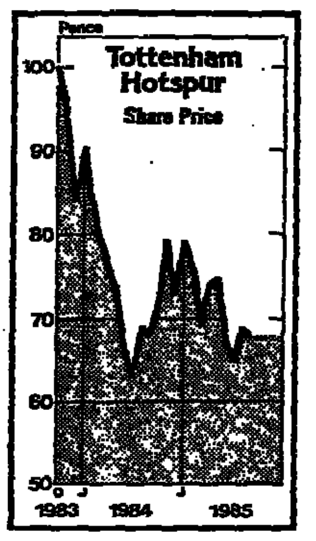
On current trading prospects, Mr Bobroff said that the planned domestic substitute for European football was unlikely to be as profitable, but that income from matches so far this season was similar to last year.

He did not expect the ban on alcohol to have a significant direct effect. Non-trading activities, including the important property division, accounted for around 15 per cent of the pre-tax figure.

The group paid tax of £223,000 (nil). Net profits came out just ahead at £430,000 (£410,000) and the dividend of 2.5p brings the total for the year to 4p (2.5p). This will cost £367,000 (£117,000), leaving retained profits at £63,000 against £293,000. Earnings a share are stated at 4.7p (5.3p).

● **comment**

Tottenham directors will hardly be over the moon with these results. At the end of the day it is profits that count, but it must be doubly galling for them, avid fans of the team as they are, to have to blame last season's European defeat by Real Madrid for this latest disappointment. But this really illustrates what many have supsected for a long time—that, despite all the aspirations to become a broadly based leisure and commercial outfit, Tottenham Hotspur plc will remain largely synonymous with Tottenham Hotspur FC. As such it will be vulnerable to such strictly non-commercial factors as injuries, loss of form, bad weather, or bad luck. These are not the sort of excuses that would wash with the shareholders of any other company, but then Tottenham shareholders are not typical either. You can expect more questions at the annual meeting about Glenn Hoddle's form than the dividend yield, which at 8.4 per cent is average for the sector. For the current year, the club is perhaps better placed than any other to weather the storm, with significant non-football interests, but will be hard pressed to match even this low figure, and to sell players to boost the profit line would be like selling the seedcorn. The shares were down 2p to 68p where they have languished ever since the listing, and there seems little that can get them back up to the issue price. But then, as the board would no doubt agree, football's a funny game.



Expamet up 26% halfway and confident

Expamet International has lifted pre-tax profits by 26 per cent from £1.75m to £2.21m in the first half of 1985.

Mr Jeremy Beasley, the chairman, is encouraged by the group's performance, and is confident that the full year results will be well in advance of the £3.2m achieved in 1984 and will consolidate the basis for a stronger, more balanced and profitable business.

The group has interests in expanded metal and industrial building components.

For this half the stated net earnings per 25p share are ahead from 5.12p to 6p, and the interim dividend is increased to 2.35p (2p). A 5p total payment was made in 1984.

Turnover improved from £19.49m to £24.73m, and in the group's main businesses Expanded Metal performed extremely well. However, this performance was partially offset by lower profits from BAT Building Products, the chairman states.

BAT Building is currently trading at a much increased level of profitability, he adds, and looks certain to achieve better second half results.

All of the company's recent acquisitions are more than justifying the investment made in them, with APT Controls making a significant contribution. Phoenix Controls, which joined the group at the end of April, is also trading strongly.

The Murex acquisition by Special Metals during March is showing the benefit of Synergy the company anticipated. The two operations are now housed under one roof and a significant increase in profitability is resulting.

The chairman adds that the company will contime its policy of selective acquisitions to enhance the group's profit growth, together with its concentration on organic growth in the core businesses.

Tax for the half year was £860,000 (£625,000).

● **comment**

Having identified security as a growth area, Expamet has wasted little time in establishing itself in that market by a handful of carefully chosen acquisitions. From nothing over a year ago, security now accounts for more than 20 per cent of turnover, after the purchases of APT Controls and Phoenix Controls. Further acquisitions can be expected to expand this division as well as to broaden the company's more mature existing businesses, building and expandable metals. Organic growth was feeble in the first half contributing only £100,000 of the total increase in profits. However much of this was due to a very poor first quarter in the building division, which has now picked up significantly. On a full year forecast of £4.5m, the shares at 116p are traded on a p/e of 9¼ (39 per cent tax) and the running yield is now 6.7 per cent. The re-rating may have a little further to go.

Questel to join USM

By Lucy Kellaway

Questel, which designs and markets specialised telecommunications equipment, is joining the USM with a market value of £8.1m. Laurence Prust is placing 1.55m shares at 180p each, representing 35 per cent of the equity.

Existing shareholders are selling three-quarters of the shares in the placing, with the remainder being sold by the company to raise £510,000 after expenses.

The new money will be used to repay director's loans on which the company has hitherto relied as its principal source of finance.

Questel was started in 1967 to exploit the market for specialised and one-off telephone systems which the major PABX suppliers tended to avoid. The company designs and assembles its products employing subcontractors to carry out the manufacturing of the hardware.

At each point in its history Questel has tended to concentrate on a single product, and its main product is currently "Supercall," an automatic call distribution (ACD) system.

In the years 1982 to 1984 turnover was flat, while profits showed a small advance. Last year Questel made £526,000 pre-tax on a turnover of £1.2m, and is forecasting that profits for the current year to October will be at least £1m, after £335,000 in the first half.

The large increase stems from the success of Supercall which has allowed output to rise from about 60 units a month to about 150. The directors claim that there is a large barely-tapped market for Supercall in the UK especially among smaller companies.

On the basis of the profit forecast, the shares are on a p/e multiple of 13 after tax rate of 42 per cent. On a forecast dividend of 2p a share, the yield is 3.2 per cent.

Dealings in the shares are expected to begin on September 17.

Media Technology rises to £2m

Media Technology International, the holding company for Joe Dunton Cameras and Lee Filters, lifted its profits before tax from £1.19m to £2.04m in the year to May 31 1985.

In MTI's first year as a public company both members of the group demonstrated their ability to achieve significant growth whilst maintaining margins.

Turnover surged from £4.86m to £8.02m with the greater proportion coming from overseas markets. The dividend is the promised 1.6p net.

Current indications are such that the directors confidently expect continuing growth in turnover with the maintenance of profit margins.

Lee Filters, a market leader in lighting and camera filters, is now benefitting from installation of a second film coating line, while Joe Dunton Cameras is now in occupation of the Stonebridge Park studio complex which on completion of refurbishment, will provide the camera retail business with much needed capacity for expansion.

Expansion in the U.S. is regarded by the directors as essential to the promotion of the company's international rental business. Potential in the U.S. will be further enhanced through the agreed £1.6m acquisition of the Mitchell Camera Corporation based in Hollywood.

MTI came to the USM in October 1984.

● **comment**

The purchase of Mitchell is something of a coup for MTI, even if the benefits in terms of hard profit will take time to achieve. The point is that the acquisition gives the group a foothold in camera manufacture with one of the best names in the business. As a private company Mitchell has not made a lot of profit but using it as a springboard for Joe Dunton should make it an important part of the group beyond the immediate term adding a whole new dimension. The Stonebridge Park studio is equally something new, albeit home-grown, though it too is about profit later rather than now. Not that the current year will be short of growth. The pre-tax line should reach £2.7m comfortably leaving the p/e around 12 at 183p, which si not expensive, and the group is bound to get more market exposure when Lee, its parent, goes public at the end of October with market capitalisation of £100m.

Estates and General issues £5m debenture

Estates and General Investments, property investor and developer, reports pre-tax profit for the first half of 1985 up by 21 per cent from £491,000 to £593,000.

Turnover rose to £2.66m (£2m) and the taxable figure was struck after increased interest charges of £1.14m against £774,000, mainly as a result of the substantial rise in rates earlier in the year. From earnings per 20p share of 2.3p (2p) the interim dividend is raised from 0.75p to 0.825p.

An issue of £5m first mortgage debenture stock 2018 has been announced. Some £3.6m will be used to repay existing variable rate borrowings and the rest will provide extra working capital.

It has been placed by Lazard Brothers in conjunction with Panmure Gordon and Co. It is being issued at £98.324 per cent and will have a gross redemption yield of 11.45 per cent.

Breakmate in line for a continuation of growth

ALL DIVISIONS of Breakmate performed well during the first six months of 1985 and the directors say the second half should see a continuation of steady growth.

Turnover for the opening half rose by £1.26m to £5.54m and at the pre-tax level, profits showed an improvement of £80,000 at £276,000. Earnings per 10p share increased to 4.4p (3.85p) and shareholders are to receive a maiden interim dividend of 1p net.

The company, a supplier of drinks dispensing machines, came to the USM last October and for the period to December 1984 paid a dividend of 1p. Profits for the 1984 year amounted to £481,000 pre-tax.

● **comment**

Apart from acquisitions Breakmate's core business of leasing and vending cannot provide the 25 per cent growth rate the directors would like to achieve in these early days as a quoted stock. And so the emphasis is being placed on catering and the associate, Single Service, to provide some future push although their impact is fairly muted so far. Catering lost around £10,000 last year but with new management (brought in from the Bank of England of all places) profits there might zip up to £70,000. The associate — manufacturing sachets of salt and pepper for the likes of Wimpey—could make a small profit in 1985 against a loss. So a group profit of close to £700,000 seems a fair expectation at this stage dropping the prospective p/e to 8.5 at 100p. The shares are now right back to the issue price but at least they should not fall further.

COMPANY NEWS IN BRIEF

DATRON International, the manufacturer of testing and measuring equipment, has beaten its USM prospectus profits forecast by 3.5 per cent with a taxable result of £983,571, against £364,290, for the year to end-June 1985. Turnover rose from £4.77m to £7.86m. There is no dividend.

BERKELEY AND HAY HILL Investments, USM-quoted property investment manager, returned to profits in the first half of 1985. On turnover more than trebled from £553,000 to £1.88m, it earned taxable profits of £203,000 against a loss last time of £123,000. Earnings per 10p share came out 0.24p (0.23p loss). There is still no dividend.

YEARLING BONDS: The interest rate for this week's issue is 11$\frac{5}{16}$ per cent, up $\frac{1}{16}$ of a percentage point from last week and compares with 10¾ per cent a year ago. The bonds are issued at par and are redeemable on September 11 1986. A full list of issues will be published in tomorrow's edition.

WILLIAM BEDFORD, the antiques dealer which joined the USM in March, reports a taxable profit of £571,000 for the first six months of 1985 on turnover of £1.66m. There are no comparable half year figures. In the 1984 year profits reached £852,000. An interim dividend of 1.5p is being paid and the board intends to recommend dividends of 4.5p for 1985 compared with a prospectus forecast of 3.5p.

F & C EUROTRUST had a net asset value of 135.7p at end-June 1985, compared with 110.9p a year earlier, and 124.9p at end-1984. The single final dividend is lifted to 1.7p (1.6p). Total revenue amounted to £557,327 (£398,191). After tax of £105,727 (£74,684), earnings per share are shown up at 2.05p (1.7p).

SHELDON JONES, Somerset-based animal feed manufacturer and agricultural merchant, reported pre-tax profits for the year to the end of May 1985 up by 21 per cent to £804,000 (£663,000) on turnover down from £16.08m to £14.13m. An increased final payment of 3.3p (3p) is proposed making the total for the year 4.85p (4.35p).

RIVERVIEW RUBBER Estates reports a fall in taxable profits from M$1.52m to M$1.31m (£400,000) for the first six months of 1985, mainly due to a downturn in rubber. Unless rubber price improves, company warns that the full year result will also show a fall. The first interim dividend is being raised from 6 sen to 8 sen.

LADBROKE INDEX
1,002-1,006 (—)
Based on FT Index
Tel: 01-427 4411

NOTICE OF REDEMPTION

to the Holders of

UER Overseas Finance N.V.

13½% Guaranteed Debentures due 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 301 (a) of ARTICLE III of the Indenture dated as of October 15, 1980, (the "Indenture") between UER Overseas Finance N.V. (the "Company") and Chemical Bank, as Trustee, (the "Trustee"), under which the above described Debentures were issued, the Company will redeem and the Trustee has drawn by lot for redemption on October 15, 1985, as required by the above-mentioned Section of the Indenture, $5,000,000 principal amount of the above-described Debentures of the denomination of $1,000 each, bearing the following serial numbers:

On the redemption date, there shall become due and payable on each of the above-mentioned Debentures to be redeemed, the redemption price, namely 100% of the principal amount thereof, together with interest accrued on such Debentures to said redemption date. The Debentures specified herein to be redeemed shall be redeemed on or after the redemption date upon presentation and surrender thereof, together with all appurtenant coupons, if any, maturing after October 15, 1985, at the offices of the following paying agents: **Chemical Bank, Corporate Tellers, 55 Water Street—Room 234, New York, New York 10041, or Chemical Bank House, 180 Strand, London, WC2R 1ET, England, or Chemical Bank, 190 Avenue Charles deGaulle, 92523 Neuilly-sur-Seine, France, or Chemical Bank, A.G., Ulmenstrasse 30, P.O. Box 17 41 26, 600 Frankfurt/Main 17, West Germany, or Chemical Bank, 49 Avenue des Arts, 3rd Floor, B-1040 Brussels, Belgium, or Chemical Bank, Freigutstrasse 16, CH-8039 Zurich, Switzerland, or Banque Generale du Luxembourg, SA, 27, avenue Monterey & 14, rue Aldringen, P.O. Box 1906, Luxembourg.** Coupons maturing October 15, 1985, appertaining to the coupon Debentures designated for redemption should be detached and presented for payment in the usual manner. Interest on the Debentures shall cease to accrue on October 15, 1985.

UER Overseas Finance N.V.
By: Chemical Bank, as Trustee

Dated September 11, 1985

Holders of the Debentures for redemption to the New York paying agent will be required to comply with the Interest and Dividend Tax Compliance Act of 1983 on or before the date of such presentation.

GARDENING

The rival attractions of two of Europe's best botanic displays

BY ROBIN LANE FOX

WHEN I worked in the German Botanic Garden in Munich, many visitors asked me the same question: was Munich's garden better than the one in Edinburgh?

Patriotically, I always said it was not, though at the time I had no idea what Edinburgh looked like. On returning home, I went north to see for myself.

At once, the point of the question came home to me. Here was Britain's greatest botanic garden, so much more appealing than Kew, so much more tasteful than Wisley yet in some ways so like Munich's. Having seen them both, I could not decide which was better. Time has not helped.

Munich's famous rock garden is certainly higher: visitors used to ask quite seriously if we kept chamois at the top of it. Edinburgh won on primulas and rhododendrons; Munich won, narrowly, on greenhousing and European flora.

The lunch is better in Edinburgh's elegant tea house and I wonder whether quite as many visitors steal rock-plants in their briefcases as those we arrested in the course of a long German summer.

Admittedly, the exhibition pans in the Edinburgh Alpine House are not so good as Munich's and they are displayed behind burglar proof grilles.

I raise this question of comparative excellence because I have just revisited Edinburgh's gardens. They are one of those rare British things, like the Bodleian Library, which are much too good to need publicity, but I sometimes think that non-Scottish gardeners forget them as a result.

Nothing is too good to need praise so I will simply say that Edinburgh has the most exquisitely-planted greenhouses, the most elegant displays of botanical families and one of the world's two best rock gardens.

There are 700 species of wild rhododendron known in the world and Edinburgh's garden contains more than 400. Many hybrids, says its pamphlet on the subject, have been raised by crossing these species. "They can be seen in many public parks and gardens and are not, therefore, shown in the Edinburgh garden." That sentence is my favourite in any garden guidebook.

There is another type of plant I have also yet to see on various visits to Edinburgh: an unmolested weed.

However do the gardeners manage? They topdress every inch of the Alpine Garden with a mixture of peat and soil each spring; two full-time gardeners and various students then cruise round with baskets and buckets during the growing season and between them remove or agitate every intruder in the entire rock-scape.

The standards is almost as high in every department: the green edges run neatly round the shrubs; the display beds of hydrangeas show no weeds, nor do the peat-garden, peat wall, dry walls and various greenhouses which alternately fog and de-mist your spectacles.

Edinburgh has been very fortunate in its curators. It is also at its best in the late 20th-century. Many of its best trees and shrubs arrived from the Far East between 1870 and 1940 and they and their offspring have reached maturity.

This year, I coincided with the autumn gentians. There is much else I could mention; the red passion-flowers, the native South African pelargoniums, the silver and grey planting in raised beds, the yellow-flowered Clematis Bill Mackenzie, the healthiest hydrangea arborescens ever.

I will only dwell on the autumn gentians because they were perfect and I cannot grow them myself on lime. At sea-level, Edinburgh's climate has a curious affinity with the conditions enjoyed by many native Chinese plants.

When autumn gentians were brought home from the wild, gardeners crossed their willing species and many hybrids emerged. I sometimes wonder if any true species have survived.

If you can grow them below the azaleas or in acid soil, they are marvellous plants which make carpets of grassy leaves and then cover themselves with those open flowers the blue of which led Vita Sackville-West to remark that it looked as if fragments of the sky had descended into the garden on parachutes.

By one of the gates which lead straight to the Alpine garden, Edinburgh has an entire bed of the autumn gentian Inverleith, which is named after its garden's site. It has buds with those curious stripes and flowers with that particular intensity of sky blue which all gentian-fanatics would travel miles to see.

There is nothing similar in the plant world and in the next fortnight it is worth going specially to see them and then experimenting if they will grow in your lime-free garden in the rhododendron belt.

They are not difficult if they decide to like you, but somehow they never liked Munich as much. On gentians, at least, I gave the right answer in ignorance, years ago.

APPOINTMENTS

Price Forbes chairman

Mr John Swinglehurst, a director of Sedgwick Group and a member of the group's executive committee, has been appointed chairman of PRICE FORBES. Within the Sedgwick Group, Price Forbes is the company which places North American wholesale business in the London market. Mr K. A. Carter, the previous chairman, will be leaving the group. Mr Jonathan Gilbert and Mr David Hussey remain as deputy chairmen.

★

The P & O GROUP has made the following appointments: At Town and City Properties, Mr Ron Jennings and Mr Tony England are respectively appointed chairman of Town and City Properties (Development) and Town and City Properties (Management), succeeding P & O group managing director, Mr Bruce MacPhail, who remains chairman of the holding company, Town and City Properties. Mr Anthony Preiskel is appointed joint managing director of Town and City Properties (Management), together with Mr Bob Ferguson. Mr Philip Cox is appointed a director of Town and City Properties (Management). Mr Ray Knight is appointed to the board of Arndale Shopping Centres, following the retirement of Mr John Lyon. P & O main board director Mr Peter Ford succeeds group finance director Mr Andrew Rebb on the boards of Sea Oil Services and Sea Oil Homco. Mr Tony England is appointed to the board of TCB, the P & O group's banking services subsidiary.

★

Mr John Farrant, formerly managing director of BRS Southern, has been appointed managing director with responsibility for BRS ENGINEERING and FLEETCARE. Mr Colin Colvin, who was formerly area director, East Pennines for BRS Northern, will now take up the post of managing director, BRS Southern. Both changes are effective on October 7.

★

PRIME COMPUTER (UK) has appointed Mr David Prior as marketing director, following the promotion of Mr George Kendall to managing director of Prime's Hong Kong subsidiary. He was district manager for Prime's southern district.

★

Mr D. T. A. Boyle will be joining the partnership of ROWE & PITMAN, stockbrokers, at the close of business on September 13.

★

SUTER has appointed Mr Michael Riley, as the first-ever managing director of Suter Estates, the group's property services company. He is managing London partner at the Mayfair office of Colliers, Bigwood & Bewlay.

★

MIDLAND BANK has received approval from the Italian authorities to open a branch in Milan. The bank will also convert the Midland International Trade Services (MITS) office in Rome into a group representative office. Mr Massimo Cagliani, a senior manager with Banca Commerciale Italiana, has been appointed chief manager. Mr Francesco Mastro, MITS representative, has been appointed group representative in Rome.

★

Following the resignation of Mr K. D. Gillies, Mr D. H. Newton becomes chairman of C. E. HEATH & CO (REINUSURANCE BROKING), while Mr R. A. Green and Mr D. S. Oram continue as directors in day to day charge of the North American and international business respectively. Mr R. J. H. Dunn, managing director of C. E. Heath & Co (LMX), has additionally been appointed chairman of that company.

★

The Trade and Industry secretary has appointed Major-Gen Lennox Alexander Hawkins Napier as chairman of the CENTRAL TRANSPORT CONSULTATIVE COMMITTEE for a four-year period until July 31 1989.

★

Mr J. M. F. Padovan has been appointed a non-executive director of M. S. INSTRUMENTS. He is executive deputy chairman of Hambros Bank and is a director of Tesco.

★

Mr Anthony Dudley Hender is appointed an associate director of C. E. HEATH & CO (NORTH AMERICA).

★

Mr Brian Paul will be joining NATIONAL PROVIDENT INSTITUTION as assistant general manager (information services) in November 1. Latterly he has been in control of dato processing at London and Manchester Assurance.

★

RICHARDS has appointed Mr Brian Gilbert deputy chairman. Mr Gilbert is chairman of Elgin City Sawmills and deputy chairman of A. T. Mays Group.

★

AIR EUROPE has created two directors. Mr Shaun Dewey joins the board as sales director. He is responsible for commercial charter sales for the fleet of Boeing 757 and 737 jet aircraft. Mr Michael Marchant has become engineering director. He was previously executive director—engineering. Mr Stephen Carter, has been made company secretary. Mr Carter will fulfill the role of company secretary in addition to his responsibilities as executive director—finance.

★

The Milk Marketing Board has appointed Mr Martin Plowden Roberts as the non-executive chairman of DAIRY CREST FOODS. Other members of the Dairy Crest board will be Mr Richard Smith (MMB vice-chairman), Mr Neville Thornhill (board member for the North-West Region), Mr Geoffrey Bar (Diary Crest Foods' chief executive), and Mr Michael Knapp (DCF managing director).

CONTRACTS

£4m Scottish power station order

THOMPSON NUCLEAR ENGINEERING is installing a second irradiated fuel dismantling facility (1FD2) ordered by the South of Scotland Electricity Board for its Hunterston "B" power station. The contract, worth in the region of £4m, will give the station greater capacity through its fuel discharge route and so provide additional insurance against hold-ups. The 1FD2, to be located in an existing hoist well, comprises a freestanding, shielded stack 30 metres high and weighing 900 tonnes. Fuel assemblies will be lowered by the charge machine into the facility, where a number of cutting, dismantling and disposal operations are carried out remotely by specially designed equipment.

★

A £1.2m contract for the uprating of an existing 600 tonnes/day nitric acid plant at UKF Fertilisers' Ince site, near Chester, has been awarded to SIM-CHEM (a Simon Engineering company). The nitric acid capacity is to be increased to 828 tonnes/day. The main modifications will be to the air compressor train, the waste heat recovery system and the NOx abatement system.

★

FIRST SECURITY GROUP has been awarded the contract to supply Arrowhead Security Distribution Inc of Atlanta, U.S., with a speaking voice panel security system. The contract is worth around £500,000 in the coming year.

★

Contracts worth £719,000 have been placed with VIC HALLAM, Nottingham, for construction programmes at University College, Swansea, and the Royal Holloway and Bedford New College, Egham Hill. At University College Swansea Hendrefoilan Student Village, the company will build three blocks of two-storey self-catering houses for 72 students, worth £495,600. The University of London is undertaking a £20m expansion programme at the Royal Holloway and Bedford New College, Egham Hill, and Hallam has been awarded a £223,000 contract for providing temporary accommodation for staff and students. The Lincpac System will be used for construction of a 1,476 sq metres psychology unit and 17 Hallamcabins are being provided for use as offices, classrooms, an electronics research unit and a physics research unit.

★

FAIRCLOUGH CIVIL ENGINEERING has won a £1.4m contract for aircraft parking areas at RAF Coltishall. The project will be carried out for the Property Services Agency, by Fairclough's southern division, which will excavate and construct two pavement-quality concrete plots totalling 40,000 sq ft in area. Drainage is included in the contract, which is programmed for completion in May, 1986. The order will provide more work for the Fairclough concrete paving train that helped the company complete the Wisley to Leatherhead section of the M25 motorway.

★

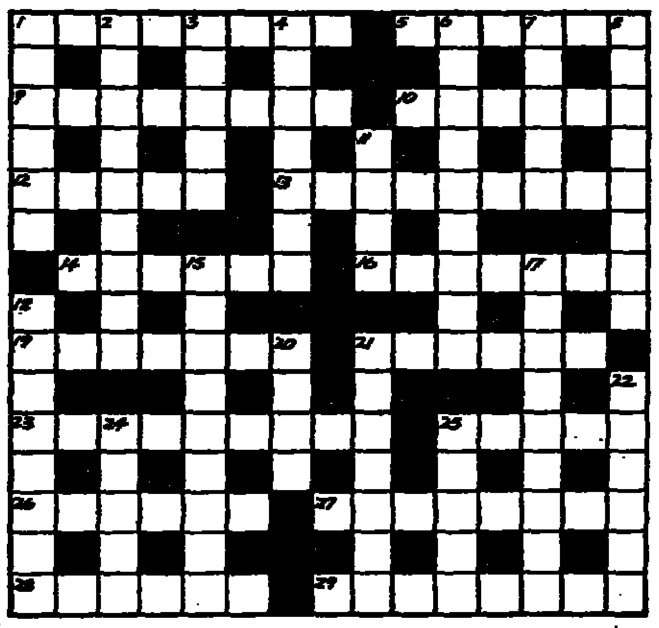
BIS SOFTWARE has won a £400,000 order for a fully integrated dealing room system. The Co-operative Bank has ordered the system, together with a comprehensive suite of MIDAS international banking applications software, for its London operations centre. Included in the contract are seven MIDAS dealer workstations. Each workstation is based on an IBM personal computer and will be supplied with BIS-developed software for foreign exchange and money market dealing. They will be linked on-line to two IBM System 38 computers, running MIDAS, and eventually connected to the bank's IBM mainframe in Skelmersdale, Lancashire.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord. ...	132	—	6.6	5.0	7.3	8.7
151	135	Ass. Brit. Ind. CULS...	138	—	10.0	7.2	—	—
77	43	Airsprung Group	55	—	6.4	11.6	9.2	12.0
42	26	Armitage and Rhodes...	41xd	+1	4.3	10.5	5.1	6.2
159	106	Bardon Hill	154	−1	4.0	2.6	19.5	20.3
64	42	Bray Technologies	63	—	3.9	6.2	7.7	8.9
201	158	CCL Ordinary	158	—	12.0	7.6	3.9	3.7
152	104	CCL 11pc Conv. Pf. ...	104	—	15.7	15.1	—	—
130	10	Carborundum Ord. ...	123	—	4.9	4.0	6.1	9.5
90	83	Carborundum 7.5pc Pf.	90	—	10.7	11.9	—	—
73	46	Deborah Services	47	—	6.5	13.8	4.5	7.2
487	182	Frank Horsell	483	—	1.4	0.3	11.4	15.3
390	170	Frank Horsell Pr.Ord.87	390	—	11.9	3.1	9.2	12.4
32	23	Frederick Parker	23	—	—	—	—	—
79	33	George Blair	79	+1	—	—	3.2	5.9
50	20	Ind. Precision Castings	24	+1	2.7	11.3	6.6	7.2
218	177	Isis Group	182xd	+2	15.0	8.2	14.0	20.9
124	101	Jackson Group	104	—	5.5	5.3	7.0	7.0
285	213	James Burrough	230	—	15.0	6.5	7.3	7.3
94	83	James Burrough 9pcPf.	92	—	12.9	14.0	—	—
95	71	John Howard and Co.	84	—	5.0	6.0	6.7	10.5
225	100	Linguaphone Ord.	186	—	—	—	6.8	7.1
700	91	Linguaphone 10.5pc Pf.	91	—	15.0	16.5	—	—
650	300	Minihouse Holding NV	570	—	6.9	1.2	24.9	23.7
120	31	Robert Jenkins	85	—	—	—	11.0	24.3
60	28	Scruttons "A"	31	—	—	—	—	7.9
92	61	Torday and Carlisle ...	75	—	5.0	6.7	3.8	6.9
444	325	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
34	17	Unilock Holdings	33xd	—	2.1	6.4	9.0	8.8
113	81	Walter Alexander	110xd	—	8.6	7.7	6.2	7.8
247	195	W. S. Yeates	195	—	17.4	8.9	5.5	9.6

Prices and details of services now available on Prestel, page 48146

F.T. CROSSWORD PUZZLE No. 5,818



ACROSS

1 Such care can be paternal, paradoxically (8)
5 Sets back gold in a daze (6)
9 Cheerful girl coming out elated (8)
10 Foreign Office with its back to the wall? (6)
12 Fresh lines for Northern Ireland town (5)
13 Slight possibility of catch at point? (3-6)
14 Caribbean port takes a year to become a settlement (6)
16 Young radical, we hear (7)
19 R. Thames variety of rodent (7)
21 Ag in cloudage? (6)
23 Quality of what is heard in formal party (9)
25 Lady-love thrown over by Roper? (5)
26 Pound box (6)
27 Outrageous standard—tirade follows (8)
28 White man out on bail (6)
29 For Kelvins first winter, a change of clothing like this? (8)

DOWN

1 Might he begin parading translation of Dante? (6)
2 Space for Jocelyn, some might say (5-4)
3 PA system that does not begin to harass (5)
4 Love mainly dissipated when this allowance is paid? (7)
6 Three-point landing (but not for amateurs) (9)
7 Pair even contracted to spruce up (5)
8 It takes a turn for the better (8)
11 A few returning from a great distance (4)
15 Old hat said to be free (9)
17 Constable, perhaps, goes ashore on headland (9)
18 Is charm a variety of it? (8)
20 Hard lines for the corncrake (4)
21 An oil spread between ends of Lincoln? (7)
22 Stout bearer (6)
24 West Indian saloon in the same place (5)
25 Gay day? (5)

Solution to Puzzle No. 5,817

PIVOTS DOLDRUMS
A I R B E T A
TOCSIN DOGSBODY
I T B I P P I
EXODUS ESTONIAN
N R T VAT T A G
CHIMES S A
E A SALTASH M B
W E PALATE
C L S ANN Y N L
EXECUTED ESPIAL
D N P R T E P
INTREPID GATEAU
N I R A C S S
GOLFBALL SKETCH

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.0	68.1	−0.6	3.15
Accum Units	94.7	100.7	−0.9	3.15
Pearl Inc.	91.2	97.0	−0.6	5.08
Pearl Unit Tst.	94.6	100.8	−0.7	4.17
(Accum. Units)	160.2	170.4	−1.2	4.17

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	188.5	202.1	−0.3	1.54
Income	141.5	151.5	−1.5	5.40
Worldwide Recovery	106.5	114.3	...	2.20
American Growth	58.2	62.5	+0.2	0.66
Intl. Emerging Cos.	60.0	64.4	−0.2	0.70
Far East Growth Fd.	47.6	51.1	+0.1	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	101.4	108.6	−0.9	0.30
Prolific Extra Inc.	63.5	67.5	−0.4	5.98
Prolific Gilt Cap.	82.1	85.4	−0.2	3.22
Prolific High Inc.	134.5	143.1	−1.1	5.27
Prolific Intl.	84.0	90.0	−0.2	1.69
Prolific N. Amer.	117.8	126.3	+0.1	2.16
Prolific Spec. Sits	143.4	152.9	−0.9	1.64
Prolific Technology	100.4	107.6	+0.2	0.91

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.6	52.5	−0.2	—
Worldwide	48.9	51.8xd	...	1.95
European Trust	51.8	54.9	−0.1	2.20
North American	50.9	53.9	...	2.30
UK Equity	50.7	53.7	−0.1	3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst.	326.4	347.2	−3.9	3.61
Holborn Gilt Tst.	154.4	161.4	−0.3	7.30
Holborn High Inc.	54.9xd	58.3xd	−0.3	7.40
Holborn Intl.	61.4	65.3	−0.3	0.53
Holborn UK Growth	64.4xd	68.7xd	−0.7	3.30

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	325.4	346.2	....	3.70
Quadrant Income	180.2	191.8	....	5.89
Quadrant Intl. Fund	298.2	313.9	....	1.52
Quadrant Recovery	201.6	214.5	....	2.68

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc.	51.3	54.5	....	6.00
Wellington Growth	106.8	113.5	....	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tonbridge Wells, Kent. 0892 22271

British Life	135.7	143.5	−1.1	4.84

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

S.G. Warburg & Co. Ltd. and subsidiaries
33, King William St, EC4R 9AS. 01-280 2222

Energy Secs b	$49.37			—
Merc Eurobond Sept 4	$18.09	19.09	—	6.29
Select Rtés Aug 27	$19.58	20.20		1.23

39-43 Broad Street, St. Helier, Jsy. CI 0534 74715

Merc Comm Sept 3	$33.16	34.00		1.71
Merc Trans Sept 6	$26.46	27.34		2.25
Metal Tst Sept 5	$11.81	12.10		9.59
Merc Selec Mkt Sept 5	$23.43	24.03		1.46

Mercury Far Eastern Trust Ltd.

Japan Fund Sept 4	$22.71	23.88		1.47
Pacific Fund Sept 4	$23.34	24.57		1.59

Mercury Money Market Trust Ltd (x)

£ Managed	£9.13	9.68		—
U.S. $ Managed	$17.71	18.66		—
£ Sterling		£21.71		—
U.S. $		$35.93		—
D-Mark		DM82.11		—
Yen		Y8,329		—
Dutch Guilder		111.49		—
Swiss Franc		79.64		—

For further prices ring Dealers 0534 74715

1 Thomas St., Douglas, Isle of Man
0624 74854

Merc Gold Fund 70	63.5	67.6	-0.6	6.9
Merc Intnl Bond	41.7	44.4	+0.2	7.4

Wardley Fund Managers (Jersey) Ltd.
HK Bk. Bldg., Grenville St. St Helier 0534 71460

Wardley Gilt Fund	100.0	104.0		10.10

Wardley Investment Services Ltd.,
4th Floor, Hutchison House, Hong Kong

Wardley Trust	$5.95	6.37	-0.16	1.80
Wardley Nikko As. Fd.	$11.42	11.57	-0.46	3.96
Wardley Bond Trust	$10.44	11.60	-0.10	5.26
Wardley Japan Trust	$32.50	34.36	-2.02	0.15
Wardley Pre Cap Tst	$11.34	11.80	-0.31	3.27

WestAvon Secs. (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963

Gilt & Option Fd	71.21	1.29		5.00
US $ Option	$1.02	1.08		—
High Income	96.0	101.0		15.00
International Growth	44.6	47.4		7.3
Japan Fund	42.1	44.4		0.50

World Bond Fund
Managers: P.O. Box 190, St Helier, Jersey. 0534 74715

World Bond Fd NAV	$9.895a			—

Inv Ad Warburg Inv Mangt, London

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.44			—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.87		-0.19	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd., London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.09		+0.07	—
Dynamic Gwth Fd	$8.11		-0.02	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.40		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST			01-236 0952	
Call Fund	11.18	8.36	12.58	Mth
7-day Fund	11.40	8.67	12.87	Mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fund	11.91	8.47	12.47	6-Mth
7-day Fund	11.50	8.64	12.75	6-Mth
Dollar		6.81	—	6-Mth
Money Mngt. Acc.	11.00	8.22	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq. Edinburgh, EH2 4DF			031-225 8484	
Full Service Chq Acc	11.25	8.00	11.93	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	11.25	8.41	12.98	Qtr
Mth. Int. Chq	11.125	8.33	12.56	Mth
Bank of Scotland				
38 Threadneedle St. EC2P 2EH			01-628 8060	
Money Mkt Cheque Acc	10.85	8.11	12.01	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd.				
29 Finsbury Circus, EC2M 5QL.			01-588 2777	
Cater Allen	11.13	8.35	12.34	Mth
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Mark	4.25	4.25	4.33	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove			01-748 9251	
Cheque Plus	9.00		13.30	Qtr
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE.			0803 862271	
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd				
9 Henrietta Place W1M 9AG			01-631 3313	
Cheque Deposit Acc	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH			01-628 8060	
Money Mkt. Cheque Acc.	10.85	8.11	12.01	Mth
Lloyds Bank PLC				
71 Lombard St, London, EC3P 3BS			01-626 1500	
HighIntCheque Account	11.25	8.25	12.32	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH.			01-409 3434	
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford.			0245 51651	
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc				
PO Box 2, Sheffield.			0742 20999 Ext 8655	
High Int Chq Acc	10.70	8.00	11.92	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Choularton)				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
Cheque Act	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc				
24 Lombard St, London EC3V 9BA			031-557 0201	
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB.			0708 66966	
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol			0272 732241	
Demand Acc	11.37	8.50	12.71	Qtr
Money Acc	11.20	8.37	12.50	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth			0705 827733	
Special Acc	11.00	8.22	12.40	Mth
Over £10,000	11.25	8.41	12.70	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE			0752 24141	
High Int Chq Acc	11.62	8.43	13.04	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. †† Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. ad ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk	30
BOC Grp	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	13
Charter Cons.	18	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit Oil & Min	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd	38	Charterhall	6
ICI	60	Premier	5
'Imps'	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	30	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Dealers pessimistic on Krugerrand prospects

BY STEFAN WAGSTYL

THE PREMIUM enjoyed by the Krugerrand over the gold bullion price, which fell to under 1 per cent in advance of President Reagans' announcement of sanctions against South Africa, recovered slightly yesterday when he revealed plans to ban the import of the coins into the U.S.

The market had feared that he might take the more severe step of imposing an outright ban on Krugerrand sales.

Nevertheless few dealers in Zurich, London or New York now believe that the Krugerrand can quickly regain its traditional 3 per cent premium—the level at which its great rival, the Canadian Maple Leaf coin is now traded.

In New York, Miss Gail Levey, of Shearson Lehman Brothers, said that the Krugerrand would now probably trade at parity to the gold bullion price. It could fall further, but the maximum likely discount was $1 to $1.50—the estimated cost of turning the coins back into bullion.

And in London one dealer said that he would not be surprised if South Africa stopped minting the coins in the next 12 months. It would not be worth their while, he said.

However, as the International Gold Corporation which markets South Africa's gold pointed out, the Krugerrand premium has fallen below 1 per cent already this year—when the U.S. Congress proposed a ban on Krugerrand sales. Intergold said yesterday that the premium had recovered before and could well recover again.

Dealers yesterday did not share this optimism. Krugerrand sales to the U.S. have slumped from $484.5m last year to $88m in the first half of 1985. A second half recovery is not anticipated.

Sales across the world are down, not only because of investors' cautious reaction to political unrest in South Africa, but also because of the poor state of the gold bullion market.

Intergold has stopped publishing monthly figures for Krugerrand sales in May. By then it had sold 700,000 troy ounces of coins against 2.6m in 1984, out of total world coin sales of 4.2m ounces.

The main beneficiary of the Krugerrand's decline in popularity has been the Canadian Maple Leafe. The Royal Mint of Canada says that sales this year are running far above 1984 and are likely to reach 1.5m to 2m ozs against 1m last year. Its advance has been particularly marked in the U.S. but it is also stepping up its marketing efforts in Europe, where the Krugerrand is still dominant, and in the Far East.

Intergold prefers to see the current troubles of the Krugerrand as a passing phase. And it says that increased sales of the Maple Leaf may ultimately rebound to the Krugerrand's advantage since total world demand for gold coins could be boosted.

Fall in non-Communist aluminium stocks

By Our Commodities Staff

ALUMINIUM STOCKS in non-Communist countries fell slightly from June to July, according to provisional figures from the International Primary Aluminium Institute (IPAI).

Stocks of all forms of aluminium, excluding finished and-products totalled 4.134m, and stocks of primary metal were 2.278m tonnes against 2.301m tonnes.

Dealers said it would take much greater stock reductions sustained over a period of at least three months before aluminium prices could rise significantly.

On the London Metal Exchange aluminium prices moved up a few pounds after the IPAI announcement, but the rise was lost in the afternoon and values closed little changed.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,800-2,860.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse, 4.40-4.60.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse, ingots, 0.75-0.80, sticks, 0.81-0.85.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse, 11.28-11.40.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 285-293.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 3.10-3.20.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse, 7.30-7.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 67-73.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif, 2.15-2.25.

URANIUM: Nuexco exchange value, $ per pound U_3O_8, 15.75.

Brazil orange juice crushers halt production

By Ann Charters in Sao Paulo

TWELVE ORANGE juice processors, representing nearly 90 per cent of Brazilian production, halted operations yesterday in response to a blockade mounted by citrus growers against Citrovale S.A., a large juice manufacturer in Sao Paulo state.

Abrassucos, the orange juice processors association, informed citrus growers that no negotiations on the price per box for orange juice in the current harvest would be carried on while the blockade remained in place. Growers blocked entrances and exits and the Citrovale plant with trucks and tractors beginning early Monday morning in an effort to increase pressure on the industry to break the impasse on pricing. Processors and growers remain deadlocked over what costs, if any, are included in the Cr 20,000 (211p) price per box stipulated by Cacex.

India mounts fresh bid to boost tea sales

BY P. C. MAHANTI IN CALCUTTA

THE INDIAN authorities, seriously worried about the low level of tea exports this year, are trying to give sales a new push by immediately releasing the entire quantity of tea earmarked for foreign auctions, particularly in London.

The Government's tea marketing plan provides for the direct export of 10m kg to foreign auctions. Following a new move to liberalise tea marketing, merchant exporters are being permitted to buy up to 25 per cent of their contracted volume privately.

They had previously been obliged to buy their teas only from auctions or, in the case of direct purchases, at an artificially high price of Rs 50 per kg.

According to the latest figures, tea exports in the first seven months of this year were running well below their 1984 level, and there are growing fears that India may not achieve its export target of 220m kg.

Between January and July, exports totalled 88m kg, 3m kg below their year-ago level, and they appear to have fallen further behind since then. Shipment licences issued by the end of August totalled 118m kg against the 1984 equivalent of 146m.

Unit value of exports remains "satisfactory," according to traders, but they will have to reach last year's target of 215m kg at least if they are to maintain the high level of foreign earnings achieved in 1984.

● In a swift move to arrest the steady fall in raw jute prices all over the growing belt in eastern India, Mr B. R. Basu, the Indian Jute Commissioner, has ordered the mills to start purchasing fibre immediately to build stocks equal to six weeks consumption by the end of September and equal to 10 weeks' consumption by the end of October.

Another broker bites the dust

ANOTHER OBITUARY was added this summer to the pile of commodity futures brokerage companies which have fallen by the wayside or been absorbed by more powerful companies: that of Donaldson, Lufkin and Jeanrette's (DLJ) futures group, which was taken over in July by Chicago's ever-expanding Refco for an estimated $10m.

The circumstances behind the sale of DLJ's futures division are a compelling illustration of the perils involved in premature corporate expansion.

In this case, an attempt to broaden the company's scope when management did not fully understand the nature of a changed market led to a severely battered balance sheet and the eventual sale of assets.

Former senior DLJ officials, speaking off the record, are now remarkably frank about what they see as the major shortcomings in the company, reaching right back to DLJ's original creation of a futures subsidiary.

The biggest problems were twofold, they say: DLJ was substantially ignorant about futures in general, and insufficiently aware of the transition from a climate which provided high profits in agricultural commodity brokerage to one which favoured financial futures.

DLJ's futures operation was one component of a youthful yet respected multi-million dollar Wall Street firm founded in the late 1950's by three newly-minted Harvard MBA's. Their aggressive approach to investment services gained the firm a notable reputation early on, and although it offered a plethora of diversified financial services, it wanted to build further.

By 1980, DLJ was one of the last major Wall Street firms without a futures operation. So in 1981, it entered the futures business by purchasing Acli International for a sum believed to have been about $42m.

Acli was a venerated commodity trading firm that had once been very successful—both at home and abroad—in physical commority markets such as coffee and cocoa, but had fallen on hard times.

Acli was hit pretty hard before 1980 by a slide in coffee prices. But what had really hurt Acli, like many other concerns, was the 1980 silver collapse—specifically when it had made funds available to the Hunt brothers and others, and was caught with a few bogus accounts on their books.

Wanting to get involved in futures, DLJ reckoned that by buying Acli, it could acquire the company's skills as well as its customers.

"This was more like a merger than an acquisition," said one former Acli employee. "After the silver debacle, many banks got nervous about Acli's solvency, and so DLJ saw its chance to, as it thought, 'combine talents' and provide capital to what was in 1981 considered a booming business."

In retrospect, it turns out to have been a rash decision to expand into the field without proper preparation or correct assessment of Acli's capabilities. Management of DLJ's new division was essentially wrong-footed by the rapid shift towards financial rather than physical commodity futures which was sweeping the markets. And in any case, the parent company did not understand the physical commodity business which was Acli's forte.

"DLJ bought the company thinking it could take advantage of the already successful agricultural commodity markets given the inflationary times," said one observer. "However, they decided to buy a futures branch at the top of the economic cycle, just before the economy slid into recession."

Our Chicago correspondent continues his series on the U.S. brokerage industry with an examination of the background to the takeover of the DLJ futures group by Refco

U.S. Markets in Transition

Unlike the other big futures company swallowed by Refco, Conti-Commodity Services, DLJ Futures failed to acquire or train the necessary personnel. Conti at least had some staff members versed in financial futures, which eased its transition from agricultural to financial futures somewhat.

However, there were more direct causes than just the externals of a stagnating economy. Other prime factors in the decline and eventual sale of DLJ Futures were the inexperience of its staff and a mistaken assumption that all future markets perform identically—be they physically or financially based.

Last year, it became apparent that DLJ's new futures subsidiary was not generating a reasonable return. The reasons were clear to any experienced trader or broker. DLJ acquired a firm whose predominance in the physical commodities simply did not suit it to the complex world of financial futures, the hot products in the market since the frenzied bull market peak in metals in 1979-80. DLJ management, lacking sufficient skill in futures, was forced to plan for the subsidiary's eventual sale. After purchasing ACLI in 1981 DLJ hived off the division specialising in physicals to Cargill for $85m, sold the government securities branch to Kleinwort-Benson for $27.3m, and offered the remainder to Refco for an estimated $10m.

Although one would think DLJ made a tidy sum from these transactions, a closer look indicates that this is not the case.

The purchase of one brokerage firm by another is a complex transaction which is commonly misunderstood by the public. Mr Perry Taylor, a Chicago-based attorney who handles legal matters pertaining to transactions between futures and securities brokers, emphasises that the final sales figure from such a transaction may be misleading to the public due to the various ways that assets can be broken down. This is especially true if the selling firm has added substantial stocks to the company's assets prior to the transaction.

In the case of Acli International, when the firm was initially acquired by DLJ, its declining capital base due to trading losses was beefed up by DLJ in the form of added inventory. So the proceeds from the sale of the government securities and physical commodities branches, totalling $112.3m, did not necessarily represent overwhelming profit even if Acli's original price tag was the estimated $42m. Equally, the low purchase price of DLJ Futures by Refco may not reflect the total value of the firm itself.

The low price at which DLJ Futures was sold was consistent with the previous sale prices of its physical commodities and government securities branches. "When they tell you that they sold the physical commodity branch to Cargill for $85m last year," says a former DLJ official, "they really mean that they merely got rid of Acli's inventory. The actual price was only a few million dollars, if that much."

Refco, the ultimate purchaser of the former Acli brokerage, is renowned for only acquiring brokerage firms at bargain-basement prices. Yet sources have revealed that a complex worldwide network of DLJ interests had little interest in a sale to Refco. According to one former official, "DLJ Futures had a rather close business relationship with Wardley-Acli Commodities of Hong Kong, who was against any deals with Refco." This concern was mirrored by its London subsidiary, Acli Metals, which noted that "no meat trading company would take over DLJ Futures" referring to Refco's original dealings in cattle. Drexel was interested in an acquisition as was Cargill, Wardley itself, and Thomson-McKinnon. Yet none of these seem to have been considered as buyers. "What was most interesting was that the company was sold to a firm whose corporate philosophy was totally different," said a former DLJ Futures employee.

It was known that DLJ was trying to cut losses at the point where it began negotiating with Refco. "DLJ couldn't seem to make any of these operations profitable. All they could do was lower costs, and, as a result, the top-notch talent departed, and the firm stopped benefitting from its international franchise contacts. Furthermore, DLJ was caught in a flat market, in contrast to when they purchased the firm," noted a one-time Acli employee.

While DLJ seemed anxious to trim its losses, Refco smelled blood, finally getting the futures subsidiary for what many have called a bargain. "Refco got something for nothing," said another former employee. "They have a history of acquiring the assets of declining companies, getting them at book value or less and repudiating the obligations. They did the same thing with Conti. The reason for this is that Refco gets a small but easy to maintain revenue stream without having all of the existing personnel aboard." In the case of DLJ Futures, most of the existing 500-strong staff was not retained by Refco after the purchase.

Like Conti, DLJ Futures was overtaken by events of its own making. However, DLJ made the added error of purchasing a respectable firm, gambling on its previous reputation in the hope of providing DLJ with a big payoff in a volatile, growing field with relatively little effort.

The bottom line of this intriguing story is that the commodities and financial futures markets have little patience with novices. The desire to get on the bandwagon of an expanding, volatile market without the proper preparation or skills can hold much more in store than a bleak quarterly earnings statement. It can mean the life or death of the firm.

LONDON MARKETS

COCOA AND coffee futures fell sharply on the London market yesterday as sterling firmed, but sugar futures, which are priced in dollars, rose to 1985 highs.

For a change, however, the currency factor was not the dominant influence on the markets.

Cocoa's fall, £18 to £1,768.50 a tonne in the December position, was linked to free availability of inferior quality physical supplies in Europe and suggestions that another production surplus, though only a small one, may be on the cards for 1985-86. November coffee fell £31.50 to £1,660.50 a tonne, partly reflecting a lower tone in New York.

Apart from the dollar/sterling rate sugar values were boosted by a stronger New York market.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	757.5-8.5	+.5	—
3 months	780-1	+.25	783.5/776

Official closing (am): Cash 760.5-1 (758-.5), three months 783-.5 (780.5-1), settlement 761 (758.5). Final Kerb close: 777.5-8. Turnover: 25,660 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	1055-.5	-10.75	1044
3 months	1063-4	-9.5	1078/1062

Official closing (am): Cash 1,044-.5 (1,046.5-7), three months 1,071.5-2 (1,072-3), settlement 1,044.5 (1,047). Final Kerb Close: 1,061-1.5.

Cathodes			
Cash	1010-3	-10.5	—
3 months	1038-41	-10.5	—

Official closing (am): Cash 1,019-21 (1,022-4), three months 1,047-9 (1,050-1), settlement 1,021 (1,024). Turnover: 24,700 tonnes. U.S. Producer prices 66-70 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	298-.5	-.5	298/297
3 months	302-.5	+2.5	302.5/301

Official closing (am): Cash 297.5-8 (298-.5), three months 301.5-2 (298.5-9), settlement 298 (298.5). Final Kerb close: 302-3. Turnover: 4,825 tonnes. U.S. Spot: 19-20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	3605-15	+25	—
3 months	3625-30	+5	3655/3625

Official closing (am): Cash 3,635-40 (3,580-90), three months 3,635-40 (3,625-30), settlement 3,640 (3,590). Final Kerb close: 3,630-35. Turnover: 1,056 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9173-8	-15.5	9180
3 months	9128-33	-24.5	—

Official closing (am): Cash 9,175-80 (9,223-4), three months 9,130-4 (9,175-80), settlement 9,180 (9,224).

Standard			
Cash	9173-5	-17	9180/9178
3 months	9125-50	-26	9150/9130

Official closing (am): Cash 9,175-80 (9,215-20), three months 9,130-2 (9,272-7), settlement 9,180 (9,220). Final Kerb close: 9,128-28. Turnover: 2,665 tonnes. Straits tin $M29.67 (29.75) kilo.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	524-6	-6.5	—
3 months	529-.5	-8.25	536/528

Official closing (am): Cash 527-8 (536-7), three months 532.5-3 (543-.5), settlement 528 (537). Turnover: 7,575 tonnes. U.S. Prime Western: 41-41.75 cents per pound.

GOLD

Gold rose $1½ an ounce from Monday's close in the London bullion market yesterday to finish at $321¼-322¼. The metal opened at 320½-321 and traded between a high of $322¼-322¾ and a low of $319¼-319¾. The dollar's weaker trend during the afternoon helped sentiment together with small buying interest after the opening of New York. Trading volume remained rather low however as the market digested President Reagan's latest announcement on Krugerrands. Meanwhile the coin's premium over its gold content remained steady around 1 per cent.

GOLD BULLION (fine ounce) Sept. 10

Close	$321¼-322¼	(£244¼-245¼)
Opening	$320½-321	(£245¼-245¾)
M'ni'g fix	$320.00	(£244.892)
Aft'n'n fix	$321.65	(£244.601)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$325½-326¼	(£247½-248)
½ Krug.	$171-171½	(£130-130½)
¼ Krug.	$87¼-87¾	(£66¼-66¾)
1/10 Krug.	$36¼-36	(£27-27½)
Mapleleaf	$332-332½	(£252½-252¾)
New Sov.	$76¼-76¾	(£58-58¼)
½New Sov	$46-46½	(£35-35¼)
Old Sov.	$78-79½	(£59¼-60½)
$20 Eagle	$440-490	(£344½-372½)
Noble Plat	$324-328	(£247-250)

SILVER

Silver was fixed 4.7p an ounce lower for spot delivery in the London bullion market yesterday at 459.85p. U.S. cent equivalents of the fixing levels were: spot 602.85c, down 3.15c; three-month 615c, down 2.85c; six-month 627.75c, down 2.5c; and 12-month 655.35c, down 2.6c. The metal opened at 461½-464½p (603-606c) and closed at 459½-462½p (604-607c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	459.85p	-4.70	460p	-7.5
3 months	472.90p	-4.45	473p	-7.5
6 months	485.60p	-4.35	—	—
12 months	510.55p	-4.60	—	—

LME—Turnover: 32 (56) lots of 10,000 oz.

Three months high 475.5p, low 474p, final kerb 472-4p.

FREIGHT FUTURES

Minor gains in the physical market sparked off sharp increments in nearby futures positions despite a background of poor traded volume.

	Close	High/Low	Prev.
Oct.	822/825	825/820	814/815
Jan.	878/876	875/872	812/875
April	925/930	—	915/925
July	851/875	—	825/875
Oct.	925/975	—	920/980
Jan.	980/1020	—	985/1030
April	991/1050	—	980/1025
July	950/1000	—	925/1000

INDICES

FINANCIAL TIMES

Sept. 9	Sept. 6	M'th ago	Year ago
253.76	254.72	253.39	293.00

(Base: July 1 1952 = 100)

REUTERS

Sep. 10	Sept. 9	M'th ago	Year ago
1736.6	1736.6	1711.8	1863.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 9	Sept. 6	Month ago	Year ago
Spot	111.91	112.59	—	128.06
Fut.	112.00	113.23	—	127.14

(Base: December 31 1974 = 100)

In tonnes unless otherwise stated.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept 10 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1040/60	+10	$1050/70
Copper			
Cash h Grade	£1056.25	-18.75	£1010
3 mths	£1036.5	-9.5	£1054.25
Gold Troy oz	$322	+1.5	$326.25
Lead Cash	£298.25	-0.5	£308.5
3 mths	£302.25	+2.5	£301.5
Nickel			
Free Mkt	216/238c	+4	228/243c
Palladium oz	$99.00	+3.50	$101.90
Platinum oz	$319.00	+9.25	$292.25
Quicksilver†	$290/300		$290/300
Silver troy oz	459.85p	-4.70	452.60p
3 months	472.90p	-4.45	464.95p
Tin cash	£9174	-17	£9142.5
3 months	£9127.5	-25	£9105.5
Tungsten	$67.32		$71.88
Wolfram 22.04lb	$66/70		$66/70
Zinc	£525	-6.5	£531
3 months	£529.25	-8.25	£530.5
Producers	$780/830		$830
OILS			
Coconut (Phil)	$430z		‡
Palm Malayan	$350z		‡
SEEDS			
Copra Phil	$295y		‡
Soyabean (U.S.)	$211.9	-5.1	‡
GRAINS			
Barley Fut. Nov.	£104.95	+0.45	£101.75
Maize	£128.50y		£134.00
Wheat Fut. Nov.	£104.95	+0.85	£101.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1768.5	-18	£1709.5
Coffee Ft. Nov.	£1660.5	-31.5	£1675.5
Cotton A Index	53.75p	-0.35	56.95p
Gas Oil Oct.	$245.25	+3.75	$229.25
Rubber (kilo)	62.5p		63.5p
Sugar (raw)	$134z	+2.5	$125
Wooltops 64s	428p kilo		435p kilo

‡ Unquoted. z Sept-Oct. y Oct. † Per 76-lb flask. c Cents per pound.

COCOA

With free availability of spot physicals in Europe, steadier sterling and expectations that the world surplus will continue into 1985-86, prices fell in the morning and continued to decline in the afternoon.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1714-1719	-21.0	1735-1715
Dec.	1768-1769	-19.0	1780-1764
March	1786-1788	-17.5	1800-1785
May	1801-1803	-20.5	1818-1808
July	1814-1817	-17.5	1831-1830
Sept.	1831-1832	-20.0	1848-1830
Dec.	1820-1835	-25.0	1848-1858

Sales: 2,431 (2,588) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for September 10: 101.69 (102.28); five-day average for September 11: 104.03 (104.58).

COFFEE

A lower New York close prompted opening losses of £10-13, reports Drexel Burnham Lambert. Stronger sterling triggered a breakthrough below previous support levels but volume was generally light in mixed dealings.

COFFEE	Yesterday's Close	+ or —	Business Done
Sept.	1622-1625	-29.0	1640-1622
Nov.	1660-1661	-31.5	1679-1660
Jan.	1696-1699	-25.5	1717-1696
March	1726-1730	-30.5	1750-1738
May	1740-1760	-39.0	1783-1770
July	1770-1790	-34.0	1788
Sept.	1760-1848	-30.0	—

Sales: 1,963 (1,675) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for September 9: Comp daily 1979 117.72 (118.06); 15-day average 120.08 (120.31).

GRAINS

The markets remained generally firm with nearbys in both physicals and futures particularly strong on lack of cover. All positions reached contract highs and profit-takers appeared to be the sole sellers against mixed buying as the market closed on a strong note, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	104.90	+1.88	103.80	+1.20
Nov.	104.95	+0.85	104.95	+0.40
Jan.	108.60	+0.85	108.85	+0.69
Mar.	111.55	+0.85	111.75	+0.59
May	114.80	+0.58	114.40	+0.59
July	117.55	+0.55	—	—

Business done—Wheat: Sept 104.85-3.70, Nov 105.00-4.65, Jan 108.60-8.40, Mar 111.60-1.25, May 114.85-4.75, July 117.55-7.40. Sales: 412 lots of 100 tonnes. Barley: Sept 103.80-3.60, Nov 105.00-4.75, Jan 108.85-8.45, Mar 111.75-1.35, May 114.50-4.20. Sales: 156 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent Oct 130.75, Nov 132.60, Dec 132.60 transhipment east coast. U.S. no 2 soft red winter Oct 110.50, Nov 112.75, Dec 113.75. EC Sept 118.00. English feed fob Jan-Jun 115.75 paid east coast, Sept 105.50 seller east coast. Maize: U.S. no 3 yellow/French transhipment east coast Oct 129.50. Barley: English feed fob Oct 105.50 paid English/Scottish, Sept 102 seller Dundee. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S East 96.80, S West 95.70, W Mids 95.40, N. East 92.10. The UK monetary coefficient for the week beginning Monday September 16 (based on HGCA calculations using 5 days' exchange rates) is expected to remain unchanged.

MEAT

PIGMEAT—Profit-taking in the most active position, November, weakened prices. Physical prices remained firm, reports CCST Commodities.

Sales: 142 (139) lots of 50 carcases, 3,250 kg.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Oct.	115.80	114.20	115.8-115.6
Nov.	115.00	115.70	115.5-114.9
Feb.	103.40	102.90	102.7-102.5
April	103.50	104.20	104.0-103.5
June	102.40	103.50	102.8-102.4
Aug.	101.20	101.80	101.5-101.2

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.32p per kg lw (−0.95). GB—Sheep 142.83p per kg est dcw (−3.14). GB—Pigs 81.72p per kg lw (+2.39).

U.S. MARKETS

PRECIOUS METALS traded higher reflecting a lack of producer offers along with better demand by dealers as fresh news remained lacking, reports Heinold Commodities. Copper and aluminium held steady as the strength to sterling encouraged scattered arbitrage support. Sugar moved sharply higher on speculative buying linked to technical considerations along with reports of Cuban purchases. The reserved buying posture of roasters encouraged coffee values to drift lower. Cocoa was steady as producer offers began to dry up and light manufacturer pricing emerged. The energy complex moved sharply higher in anticipation of the trade stocks report showing little change in U.S. product and crude stocks. Cotton remained under pressure in response to expectation of an upward revision in the USDA production forecast. The grain and soyabean complex firmed on position squaring ahead of the USDA crop estimate on September 11.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	43.55	43.75	43.65	43.60
Oct	43.90	—	—	43.90
Nov	44.30	—	—	44.45
Dec	44.65	45.05	44.60	44.80
Jan	45.05	—	—	45.00
March	45.75	46.10	45.70	45.70
May	46.45	—	—	46.40
July	47.15	—	—	47.80
Jan	49.25	—	—	49.20

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Sept	2080	2087	2070	2057
Dec	2140	2144	2126	2123
March	2186	2192	2176	2172
May	2194	2198	2194	2194
July	2210	2219	2210	2215
Sept	2230	2235	2225	2235
Dec	2240	2240	2240	2253

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Sept	134.08	135.00	132.51	133.38
Dec	135.48	135.70	134.40	135.41
March	137.04	137.75	136.00	136.98
May	138.10	138.10	137.15	138.00
July	138.70	139.00	138.25	138.86
Sept	139.00	139.25	138.80	139.28
Dec	139.25	—	—	139.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	59.60	60.05	59.60	59.80
Oct	59.90	—	—	60.05
Nov	60.15	—	—	60.40
Dec	60.45	60.90	60.30	60.60
Jan	60.70	—	—	60.80
March	61.15	61.55	61.10	61.20
May	61.50	61.80	61.50	61.50
July	61.80	61.85	61.80	61.75
Sept	62.15	62.40	62.15	62.05
Dec	62.75	63.20	62.80	62.70

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	58.32	58.35	57.96	58.47
Dec	57.86	57.90	57.51	57.97
March	59.10	59.15	58.77	59.07
May	59.58	59.63	59.25	59.60
July	59.00	59.10	58.81	59.25
Oct	53.85	—	—	54.17
Dec	52.95	53.30	52.90	53.32

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Oct	27.92	27.96	27.75	27.84
Nov	27.20	27.25	27.04	26.95
Dec	26.72	26.76	26.51	26.43
Jan	26.39	26.41	26.16	26.06
Feb	26.10	26.10	25.90	25.80
March	25.86	25.85	25.65	25.55
April	25.51	25.52	25.32	25.32
May	25.32	25.33	25.20	25.10
June	25.10	25.12	25.03	24.88

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	320.8	321.5	321.0	319.4
Oct	322.2	323.7	321.7	320.8
Nov	324.4	324.2	324.2	323.6
Dec	327.6	328.0	325.9	325.2
Feb	331.0	332.5	330.0	329.6
April	335.3	337.3	335.5	334.0
June	340.2	341.5	341.2	338.9
August	345.1	—	—	343.8
Oct	350.1	350.0	350.0	348.8
Dec	355.1	356.2	354.8	353.8
Feb	360.4	—	—	359.1
April	365.8	—	—	364.5
June	371.5	—	—	370.2

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	319.7	—	—	315.1
Oct	320.2	324.0	317.0	315.6
Jan	320.0	323.5	317.5	316.4
April	323.0	328.5	322.8	319.9
July	325.6	325.0	326.0	323.7
Oct	330.6	331.0	331.0	327.7

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Oct	80.50	80.90	79.80	79.37
Nov	80.05	80.25	79.40	79.04
Dec	79.10	79.36	78.55	78.09
Jan	78.55	78.85	77.85	77.47
Feb	77.10	77.20	76.80	76.20
March	73.55	73.86	73.50	73.00
April	71.15	—	—	70.00
May	68.85	—	—	68.35

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	137.00	139.00	136.50	136.36
Nov	129.55	131.25	129.50	129.35
Jan	126.45	126.30	125.40	125.45
March	123.75	124.40	123.90	123.75
May	122.75	123.15	122.75	122.75
July	122.55	123.00	123.50	122.75

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	604.9	606.0	602.5	600.5
Oct	607.7	—	—	603.2
Nov	611.7	—	—	609.7
Dec	616.0	619.0	612.5	611.5
Jan	620.5	623.0	621.0	616.0
March	625.2	632.0	625.0	624.7
May	638.3	640.0	638.0	633.8
July	648.2	649.5	646.0	643.7
Sept	658.3	660.0	655.0	653.8
Dec	673.7	672.0	672.0	669.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	5.63	5.65	5.46	5.34
Jan	5.74	5.75	5.52	5.47
March	6.00	6.05	5.86	5.71
May	6.15	6.20	6.02	5.87
July	6.37	6.44	6.27	6.08
Oct	6.69	6.80	6.60	6.43
Jan	6.65	—	—	6.53

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	53.07	53.25	52.32	52.80
Dec	55.77	55.85	55.00	55.22
Feb	54.95	55.15	54.55	54.60
April	55.72	56.95	55.40	56.32
June	56.90	56.85	56.25	56.40
August	55.35	55.75	55.30	55.20

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	35.55	35.67	35.00	34.80
Dec	37.45	37.65	36.80	36.70
Feb	38.87	39.15	38.50	38.50
April	36.50	36.67	36.20	36.27
June	40.40	40.50	40.05	40.30
July	41.10	41.30	40.75	40.75
August	40.95	40.95	40.60	40.72
Oct	38.70	39.10	38.30	38.37
Dec	39.00	39.75	39.00	38.75

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	222.6	223.2	220.4	223.2
Dec	216.2	216.4	214.4	216.2
March	226.8	227.0	224.6	225.2
May	233.6	233.6	231.4	232.2
July	237.4	237.6	235.4	235.6
Sept	229.6	230.4	228.4	228.2
Dec	227.4	227.4	225.4	225.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	56.97	57.35	56.42	56.55
March	57.07	57.45	56.70	56.85
May	58.15	58.45	57.90	57.75
July	58.55	58.82	58.05	58.10
August	58.17	56.80	56.17	56.17

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Sept	507.0	508.4	502.4	505.0
Nov	505.6	507.4	501.4	502.4
Jan	515.6	517.4	511.0	511.6
March	527.4	529.4	522.4	523.2
May	537.0	538.4	532.0	533.4
July	543.2	544.6	539.0	540.0
August	543.0	544.0	538.4	540.0
Sept	537.4	—	—	537.4
Nov	539.0	541.0	536.0	536.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Sept	126.2	126.2	124.9	126.0
Oct	127.4	127.7	125.9	127.2
Dec	130.9	131.4	129.5	130.7
Jan	132.1	133.0	131.0	132.3
March	134.8	135.5	133.2	135.3
May	137.0	137.5	135.5	137.7
July	139.5	140.0	137.5	139.7
August	140.7	141.0	137.5	140.5
Sept	139.5	140.0	137.9	139.3

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Sept	21.51	51.88	21.43	21.55
Oct	21.27	21.40	21.18	21.20
Dec	21.17	21.30	21.06	21.05
Jan	21.35	21.47	21.23	21.25
March	21.70	21.75	21.55	21.55
May	21.96	22.00	21.85	21.87
July	22.23	22.25	22.16	22.15
August	22.38	22.40	22.30	22.30
Sept	22.42	22.45	22.30	22.30
Oct	22.33	—	—	22.30

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Sept	276.0	276.4	271.4	275.6
Dec	287.0	289.0	283.2	285.6
March	294.0	295.4	290.6	292.2
May	293.0	293.0	289.2	289.6
July	276.0	276.0	269.6	270.2
Sept	278.4	—	—	274.0

SPOT PRICES — Chicago loose lard 17.00 (16.5) cents per pound. New York tin 553.0-58.0 (555.0-56.0) cents per pound. Handy and Harman silver bullion 603.0 (609.0) cents per troy ounce.

POTATOES

Fresh buying, as April fell on the opening, steadied prices and further support in the afternoon led to a steady close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	58.80	57.60	58.50-57.50
Feb	68.00	66.50	68.00
Apr	81.40	79.90	81.50-79.10
May	86.80	85.20	86.50-85.00

Sales: 396 (537) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 70p down on commission house selling, reports T. G. Roddick. Prices remained under pressure from commercial selling.

	Yesterday close £ per tonne	+ or —	Business Done
October	121.3-123.0	-0.55	—
Dec.	122.8-122.8	-1.15	124.0-123.8
Feb.	126.5-126.6	-1.10	126.5
Apr.	127.5-128.0	-0.90	127.5
June	127.0-128.8	-1.98	—
August	126.0-130.0	-0.75	—
October	127.5-132.5	-1.00	—

Sales: 468 (627) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $134.00 (£102.50), up $2.50 (up £2.50) a tonne for September-October delivery. White sugar $177.50, up $4.50.

Fresh commission house buying, based on constructive chart patterns, rallied prices some $7, making recent highs, before profit-taking clipped the gains, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	145.4-145.8	139.8-139.8	147.2-139.8
Dec	148.4-149.0	142.0-142.8	149.0-141.4
Mar	156.0-156.6	150.0-150.2	157.8-149.8
May	159.8-160.0	155.8-155.6	161.8-155.0
Aug	165.8-165.4	157.8-159.8	165.8-165.8
Oct	170.6-171.0	165.8-164.2	171.2-165.6

Sales: 4,058 (3,006) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £207.00 (£203.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for September 9: Daily prices 5.13 (4.99); 15-day average 4.67 (4.60).

PARIS—(FFr per tonne): Oct 1610/1620, Dec 1580/1600, Mar 1600/1613, May 1640/1650, Aug 1680/1688, Oct 1735/1760.

RUBBER

PHYSICALS—London closing prices (buyers) for RSS No 1: spot 62.50p (same); October 58.75 (59.00p); November 58.75p (59.00p).

Kuala Lumpur fob price (Malaysia/Singapore cents per kg) RSS No 1 181.5 (182.25), SMR 20 145.5 (same).

OIL

Forward Brent regained all the ground it lost on Monday in nervous trading, mainly in the morning. Nymex opened 11c up for October and traded 19c up at 1.30 pm EDT. Gas oil prices rebounded strongly in line with the firmer Nymex and IPE, especially for the forward position—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Sept.		
Arab Light	27.15-27.25*	—
Arab Heavy	25.18-25.20*	—
Dubai	25.95-26.05*	-0.075
Brent Blend	27.70-27.80	+0.275
W.T.I. (1pm est)	27.80-27.90*	+0.35
Forcados (Nigeria)	27.80-28.18	
Urals (cif NWE)	26.90-27.10	+0.06
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	266-268	—
Gas Oil	249-252	+6
Heavy fuel oil	136-138	
Naphtha	250-253	-0.5

* October.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'dy's Close	+ or —	Business Done
	$ U.S. per tonne		
Sept	247.50	-0.50	248.25-47.50
Oct	246.25	+5.75	245.25-42.75
Nov	241.00	+3.25	241.25-38.50
Dec	237.75	+3.75	238.00-35.50
Jan	234.75	+1.75	234.75-35.00
Feb	231.25	+1.25	231.50-30.00

Turnover: 2,322 (3,182) lots of 100 tonnes.

JUTE

JUTE—Raw: Sept/Oct shipment c and f Dundee BTC $500, BWC $495, BTD $470, BWD $465; c and f Antwerp BTC $500, BWC $495, BTD $470, BWD $465. Products: c and f Dundee ex-India September shipment 40 in 10 oz £18.33, 40 in 7.5 oz £13.68; 8 twills £58.21.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound stages small recovery

Sterling improved in currency markets yesterday, marking a halt to its recent sharp decline, as profit-taking developed. There appeared to be good buying interest when the pound touched a low of $1.3000 against the dollar and the day's improvement was effected without assistance from the Bank of England.

UK money supply figures released during the afternoon merely reinforced the firmer trend with a 2 per cent rise in M3 broadly in line with market expectations. Consequently any lingering hopes of an early reduction in UK base rates were extinguished. The pound's relative stability was also assisted by a slightly weaker dollar. Sterling's exchange rate index opened at 79.6 down from 79.9 on Monday but had recovered to 80.0 at 1 pm. It touched a high of 80.2 before finishing at 80.0. Against the dollar the pound rose to $1.3125-$1.3135, a rise of 80 points. It was also higher against the D-mark at DM 3.86 from DM 3.84 and Y318.50 compared with Y317.75. Elsewhere it rose to SwFr 3.1850 from SwFr 3.1625 and FFr 11.7650 from FFr 11.70.

The dollar's recent sharp rise came to a halt with the market failing to muster sufficient impetus to sustain a rate of over DM 2.95 against the D-mark. Nevertheless dollar sentiment remained bullish and there were expectations that further U.S. economic data due for release later this week would provide renewed demand for the U.S. unit. Against the D-mark it touched a high of DM 2.9520 but came back to close at DM 2.9400, down slightly from Monday's close of DM 2.9420. It dipped to Y242.65 from Y243.50 and was lower in terms of the French franc at FFr 8.9650 from FFr 8.9725. It was slightly firmer against the Swiss franc at SwFr 2.4250 from SwFr 2.4225. On Bank of England figures, the dollar's exchange rate index fell to 141.8 from 142.0.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7425. August average 2.7936. Exchange rate index 124.2 against 118.1 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar rose to DM 2.9480 from DM 2.9455. After its recent sharp rise, the dollar seemed to lack sufficient impetus to break through DM 2.95 and with many people already holding long positions, there was a tendency for the dollar to drift back a little. It closed at DM 2.9410 from DM 2.9460.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0222	+0.43	+0.77	±1.5425
Danish Krone	8.12857	8.07767	−0.63	−0.29	±1.6421
German D-mark	2.23840	2.22805	−0.46	−0.12	±1.1455
French Franc	6.86402	6.79324	−1.03	−0.69	±1.3654
Dutch Guilder	2.52208	2.50358	−0.73	−0.39	±1.5162
Irish Punt	0.724578	0.716488	−1.12	−0.78	±1.6672
Italian Lira	1520.60	1483.42	−2.45	−2.44	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Sept 10	Previous
8.00 am	79.6	80.9
9.00 am	79.5	80.9
10.00 am	79.6	80.6
11.00 am	79.9	80.2
Noon	79.9	79.8
1.00 pm	80.0	79.6
2.00 pm	80.0	79.2
3.00 pm	80.2	79.6
4.00 pm	80.0	79.9

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT — FORWARD AGAINST POUND

[illegible]

Belgian rate is for convertible francs. Financial franc 78.65-78.75. Six-month forward dollar 1.85-1.80c pm. 12-month 2.85-2.70c pm.

DOLLAR SPOT — FORWARD AGAINST DOLLAR

[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 59.90-60.00.

OTHER CURRENCIES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

[illegible]

*CS/SDR rate for September 9: 1.38826.

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): Short-term 8-8⅛ per cent; seven days 8-8⅛ per cent; one month 8⅛-8¼ per cent; three months 8⅝-8⅞ per cent; six months 8⅞-8⅞ per cent; one year 8⅞-9 per cent. Long-term Eurodollars: two years 9⅞-9⅞ per cent; three years 9⅞-10⅛ per cent; four years 10¼-10½ per cent; five years 10½-10¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Yield curve flattens in London

London money market rates were slightly firmer in the longer periods yesterday, while short-term rates tended to ease. The rise of about 2 per cent in UK August M3 money supply was above most forecasts and dampeded any lingering hopes of an early cut in clearing bank base rates. But a modest day-to-day credit shortage, mostly absorbed before lunch by the Bank of England, kept pressure off the short end, and flattened the reverse yield curve. Three-month interbank was unchanged at 11⅝-11¾ throughout, and discount houses buying rates for three-month bank bills were steady at 11$\frac{7}{16}$-11½ per cent.

The Bank of England forecast a money market shortage of £350m and provided total assistance of £382m.

Before lunch the authorities purchased £329m bills outright, by way of £48m bank bills in band 2 (15-33 days maturity) at 11$\frac{7}{16}$ per cent; £142m bank bills in band 3 (34-63 rays) at 11¼ per cent; £15m local authority bills in band 4 (64-91 days) at 11$\frac{7}{16}$ per cent; and £124m bank bills in band 4 at 11$\frac{7}{16}$ per cent.

In the afternoon another £18m bills were bought outright, through £10m bank bills in band 2 at 11$\frac{7}{16}$ per cent; £4m local authority bills in band 4 at 11$\frac{7}{16}$ per cent; and £4m bank bills in band 4 at 11$\frac{7}{16}$ per cent.

Late assistance of £35m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £359m, with Exchequer transactions absorbing £50m. These were partly offset by a fall in the note circulation of £60m—and bank balances above target by £20m.

In Brussels the Belgian National Bank cut the interest rate on one-month Treasury certificates by 0.1 per cent to 9 per cent. Two- and three-month certificates were reduced by a similar amount to 9.15 per cent and 9.40 per cent respectively.

In Frankfurt the Bundesbank allocated DM 6.6bn in temporary liquidity to the banks under a securities repurchase agreement, at an unchanged rate of 4.6 per cent. Bids at the tender totalled DM 11.9bn. The money will be credited today for repayment on October 9.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent when it injected funds into the banking system through purchases of first category paper. The rate was last cut by ¼ per cent on July 17, but was widely expected to be unchanged yesterday, against a background of steady to firm call money and a stronger dollar.

UK clearing banks base lending rate 11½ per cent since July 29

MONEY RATES

Sept. 10	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.60-4.60	9¼	1⅛-1⅛	5⅞-6	6.21875	14⅛-14⅛	7.0	—
One Month	4.60-4.75	9⅛-9¼	4⅛-4⅛	5⅛-5⅛	6.46875	13⅞-14	8⅞-9⅛	9⅝-9⅞
Two Months	4.60-4.75	9⅛-9¼	—	—	—	—	—	9¾-10
Three Months	4.60-4.75	9⅛-9⅛	4⅛-4⅛	5⅛-5⅛	6.34375	13¾-14⅛	9¼-9½	9⅞-10⅛
Six Months	4.65-4.80	9⅛-9⅛	—	5⅛-5⅛	—	—	9⅛-9¾	10-10¼
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅛	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 10)

3 months U.S. dollars: bid 8 1/4, offer 8 3/8

6 months U.S. dollars: bid 8 1/2, offer 8 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES — NEW YORK (Lunchtime)

[illegible]

ECGD Fixed Finance IV: Average rate of interest period August 7 to September 3 (inclusive): 11.574 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from September 1. Bank Deposit Rates for sums at seven days' notice. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent. Under £100,000 10¼ per cent. Deposits withdrawn for cash 7½ per cent.

FINANCIAL FUTURES

Short gilt starts

A short dated gilt futures contract began trading on the London International Financial Futures Exchange yesterday. Dealers were reasonably encouraged by the turnover of 1,581 on the first day, but commented that it was once again shown that the way to make money out of a new contract is to sell it. The December short gilt opened slightly lower than the equivalent cash price suggested, but this was still the day's high at 97-35 (quoted in 64ths). It was sold down to a low of 97-15, after disappointment at the UK money supply figures, and closed offered at 97-18. The long gilt for December showed a similar movement, opening at the high of 111-02 (quoted in 32nds), and falling on stock-jobber selling to a low of 110-23, before closing at 110-25 compared with 111-08 previously.

The rise of 2 per cent in sterling M3 money supply was about ½ per cent above most forecasts, and saw the gilt futures contracts fall to the day's lows.

Three-month sterling deposit futures also fell on the money supply news, but showed some recovery at the close on profit taking and the improvement of the pound.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.28	91.33	91.26	91.24
March	90.90	90.95	90.90	90.86
June	90.63	90.57	90.63	90.45
Sept	90.17	90.19	90.17	90.13

[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-24	75-24	75-18	75-20
Dec	74-17	74-20	74-09	74-14
March	73-17	—	—	73-14

Est volume 2,098 (2,864)
Previous day's open int 2,265 (2,034)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-18	97-35	97-15	—
March	97-38	97-47	97-47	—

Est volume 1,581 (—)
Previous day's open int — (—)

CHICAGO

[illegible]

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Uncertainty in UK interest rates following days. 2% rise in sterling M3.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
435	526	10737	9244

Eurodollar Future—points of 100%. Trading cautious ahead of Friday's retail sales and industrial production figure, with today's rates remaining steady.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
40	20	541	461

For full details of settlement prices call: Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	1985 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101 [illegible]	99 [illegible]	Exch. 12¼pc 1985	100	......	12.25	11.61
101 [illegible]	99 [illegible]	Exch. 11¾pc '86	100 [illegible]	[illegible]	11.74	11.51
99 [illegible]	97 [illegible]	Treas. 10pcCnv 1986	99 [illegible]	[illegible]	10.07	11.55
95⅞	92¼	Treas 3pc 1986	95⅞	......	3.13	9.30
100	97½	Exch. 10½pc Cv '86	99¾	–⅛	10.57	11.96
101¾	99¼	Treas 12pc 1986	100½	–⅛	11.94	11.18
98 [illegible]	94¼	Treas 8¾pc 1984-86‡‡	98 [illegible]	[illegible]	8.66	10.77
105 [illegible]	102 [illegible]	Exch. 14pc 1986	102 [illegible]	[illegible]	13.60	11.08
94 [illegible]	87¼	Exch. 2½pc 1986	94¼	[illegible]	2.66	7.60
104 [illegible]	101¼	Exch. 13¼pc 1987	102¾	[illegible]	12.89	10.93
99 [illegible]	96⅝	Treas 10¼pcCv '87	99 [illegible]	[illegible]	10.33	10.81
92 [illegible]	85½	Exch 2½pc 1987	92 [illegible]	......	2.69	7.81
100	96¼	Exch. 10½pc 1987	99½	[illegible]	10.55	10.98
94¼	89	Funding 6½pc '85-87‡‡	94 [illegible]	[illegible]	6.91	10.51
99 [illegible]	95¼	Treas. 10pc 1987	98½	[illegible]	10.15	10.92
91	84¼	Treas 3pc 1987	90¾	......	3.30	8.45
102 [illegible]	99¼	Treas. 12pc 1987	101 [illegible]	–2	11.79	10.75
95	90¼	Treas 7¾pc 1985-88‡‡	94¾	......	8.18	10.26
99 [illegible]	95¼	Exch 10½pc '88	99	–¼	10.60	10.92
97 [illegible]	93¼	Treas 9¾pc Cv '88	97¼	[illegible]	10.03	10.95
86¾	80	Transport 3pc '78-88	86 [illegible]	......	3.49	8.70
96 [illegible]	91½	Treas. 9½pc '88	96¼	[illegible]	9.88	10.97
102¾	97½	Treas 11½pc 1989	101⅝	–¼	11.31	10.90
96¼	90¼	Treas 9½pc Cnv. '89	95¾	–¼	9.93	11.00
82¾	79	Treas 3pc 1989	82 [illegible]	[illegible]	3.64	8.68
99 [illegible]	94	Treas 10½pc 1989	98¾	[illegible]	10.62	10.89
98¼	92	Exch.10pc 1989	97½	–¼	10.30	10.93
101¼	95	Exch 11pc 1989	100 [illegible]	–¼	10.96	10.91
85 [illegible]	79	Treas 5pc 1986-89	85 [illegible]	......	5.84	9.29
108¾	103¼	Treas 13pc 1990‡‡	107 [illegible]	–¼	12.10	10.78
101¾	96 [illegible]	Exch 11pc 1990‡‡	100¾	[illegible]	10.95	10.86
108¾	100¾	Exch. 12½pc 1990	105 [illegible]	–⅛	11.87	10.90
77 [illegible]	75¼	Treas. 3pc 1990●	77¾	......	3.86	8.95
93	87¾	Treas 8¼pc 1987-90‡‡	92½	[illegible]	8.96	10.40

Five to Fifteen Years

Over Fifteen Years

Undated

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INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Maxwell Hldgs 10p	40	.....	—	—	—	♦
390	202	Man. Ship Can. £1	377	+5	5.5	3.5	2.1	19.8
104	70	Marley	85xd	−2	3.75	2.2	6.3	10.3
107	52	Marling Ind 10p	102	.....	d1.5	5.1	2.1	13.0
76	36	Marshall L'ey. 'A'	76	+2	2.4	4.9	4.5	5.5
77	57	Marshall's Universal	61	−4	2.0	1.4	4.7	(19.4)
86	78	Do. 7½pcCnRedPf £1	82	.....	7½%	—	13.1	—
For Martin-Black see Dean Park Hotels w Recent Equities								
£99	£81	Mathesons 7¼%	£99	.....	Q7¼%	2.3	17.9	—
35	24	Maxiprint 1p	24	.....	—	—	—	—
510	375	Metal Box £1	502	−8	17.25	3.1	4.9	7.5
170	110	Metal Closures	113	.....	6.7	2.0	8.6	6.9
17	3	Metal Sciences 2½p	6½	−½	—	—	—	—
104	73	Midland Marts	85	.....	4.0	2.1	6.7	10.2
63½	55½	Mitchell Cotts	58	−½	t4.0	1.5	9.9	8.3
230	182	Morgan Crucible	202	+1	8.0	1.6	5.7	14.0
32½	22	Morris (W) F.A. 20p	28	.....	g0.5	♦	2.6	♦
116	91	Moss (Robt.) 10p	116	.....	3.0	2.5	3.7	12.8
81	66	Mynon Grp 10p	66	−½	g2.5	3.4	5.4	12.5
328	214	NMW Computers	270	+5	b4.8	2.7	2.5	20.8
45	28	Nash Inds	30	.....	t2.5	1.5	‡	6.9
48	16	Neill & Spencer 10p	16	.....	♦	—	—	4.8
44	14½	Newman Inds 10p	36	+3	—	—	—	(17.0)
41	26	Nolton	38	.....	0.17	4.5	4.4	7.3
189	146	Norcros	186	+2	8.6	2.2	6.6	9.3
67	49	Nu-Swift 5p	49	.....	3.0	1.6	8.7	9.4
111	68	Oakwood Grp	105	.....	t4.5	1.4	6.1	(15.0)
250	150	Office & Elect	247	−3	7.5	2.4	4.3	13.6
108	75	Oldacre 20p	77	.....	4.0	2.6	7.4	6.8
58	37	Optometrics $0.01	52	.....	u0.02c	—	3.0	—
495	312½	Oriflame £1	450	.....	23.4	1.8	5.2	10.7
18	10	Overstone 12½c	10	.....	g03.25c	1.9	9.6	5.5
£192	£158	Ozalid 9pc Cnv 87-92	£192	+2	Q9%	—	—	—
185	105	PCT Grp 10p	135	.....	3.2	2.2	5.0	14.3
[illegible]								

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
202	170	Chrysalis	200	.....	5.6	2.6	4.0	13
52	7	Entertain Prod 5p	20	−3	h2.25	2.1	16.1	3
78	50	Fairline Boats 10p	74	.....	12.63	2.6	5.1	10
326	228	First Leisure £1	325	.....	t6.5	2.8	2.9	15
69	51	GRA Group 5p	62	+2	—	—	—	82
32	25	Grampian TVA 10p	28	.....	h1.67	♦	8.5	♦
155	117	HTV Non/Vtg.	155	+2	H7.0	2.9	6.5	7
148	95	Horizon	105xd	−2	4.4	3.6	6.0	4
184	90	Insight	134	−4	12.5	6.5	2.7	8
140	102	Intasun 10p	135	−5	4.8	3.1	5.1	7
232	170	Juliana's Hldgs 2p	170	.....	2.0	1.8	1.5	28
300	217	LWT	290	−3	14.4	2.3	7.1	8
30	25	Leisure Inv 10p	29	.....	—	—	—	5
65	53	Leisuretime Int 10p	56	.....	t2.1	3.9	5.4	6
For Mount Ag M see Chrysalis								
183	153	Media Tech Int 20p	183	.....	g2.53	♦	2.0	♦
205	124	Medminster 10p	195	−5	t4.85	2.6	3.6	13
280	175	Miss World 10p	215xd	+5	3.6	4.1	2.4	14
127½	70	Nationwide Leisure	83	.....	13.75	2.5	6.5	7
39	15	Nimslo Int 20c	23	.....	—	—	—	—
25	19½	Owners Abroad	24½	−½	1.0	2.2	5.8	10
53	38	Photax (Lon.)	40	.....	—	—	—	—
24½	20	P'dily Radio NV 5p	21½	.....	1.87	1.1	12.5	10
90	30	Pineapple Dnc St 10p	40	−3	d1.5	1.2	5.4	2
275	183	Pleasurama 5p	275xd	.....	t6.6	3.7	2.4	16
142	109	Do. 7pcCnCnvRedPf	142	+1	7%	—	7.0	—
96	77½	Pres Entertain 50p	95	.....	N2.0	2.1	3.1	2
65	27	Radio City 'A' NV	27	.....	t5.6	0.9	‡	5
56	42	Radio Clyde N/V	45	.....	3.29	2.0	10.3	6
63	34	Riley Leisure 10p	40	.....	0.7	—	2.5	—
199	143	Saga Hols. 20p	183	.....	t4.0	2.1	3.1	1
300	108	Samuelson Grp 20p	275	.....	1.8	♦	0.9	♦
42	25	Sangers Photo 10p	30	.....	2.0	1.9	9.5	7
202	138	Scoro 50p	170	+3	g3.68	2.6	3.1	1
[illegible]								

MOTORS, AIRCRAFT TRADES

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[illegible]

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[illegible]

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Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
[illegible]		
Finlay Pkg. 5p	65	.....
Higsons Brew	295	.....
Holt (Jos) 25p	720	.....
IoM Stm. £1	98	.....
IRISH		
Fund 11¾% 1988	£101¾	.....
Nat. 9¾% 84/89	£97¾	.....
Fin. 13% 97/02	£107¾xd	−½

Stock	Price	+ or −
[illegible]		
Carroll Inds.	143	.....
Dublin Gas	73	.....
Hall (R. & H.)	60	.....
Helton Hldgs.	23	−2
Irish Ropes	46	−2
Jacob (W. & R.)	88½	.....
Unidare	106	.....

"Recent Issues" and "Rights" Page 28
(International Edition Page 32)

LONDON STOCK EXCHANGE

MARKET REPORT

Equities falter and FT index retreats 13.7 to 1006.8

Money supply figures upset gilts

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Leading equities and Government securities both displayed weakness yesterday. The fresh setback in the latter reflected the afternoon announcement of mid-August money supply figures which came at the worst end of market expectations.

The fall in blue chip industrials took place behind initial weakness in Distillers and some of the other high-flying takeover favourites which have been largely responsible for the recent strength in the leaders.

A depressed Oil sector, following news of the Saudi Arabian proposals to sell oil to four major companies below the official Opec price, also undermined sentiment at the start of business.

Distillers fell away to 378p before settling 17 down on balance at 388p as short term operators unwound speculative positions. Lucas, also bought recently on takeover hopes and the company's pension proposals, dipped sharply at the outset, but recovered to close a few pence firmer on the day.

Other majors moved down in the wake of Distillers and Lucas, but a few buyers showed interest at the lower levels and most quotations rallied a few pence before drifting off again as the market digested the money supply figures.

Reflecting the trend, the Financial Times Ordinary share index reduced a loss of 12.5 at the 10 am calculation to one of 8 points three hours later but closed at the lowest of the day with a fall of 13.7 at 1006.8.

Government securities were unsettled further by the 2.30 pm announcement of an estimated 2 per cent growth in M3 which dampened any lingering hopes of an early reduction in base lending rates. Earlier small losses in the longer maturities were extended to around ½ at the official close, while falls in the shorts ranged to 1/16.

Willis Faber fall

Lloyd's Brokers turned reactionary among Insurances as Willis Faber's interim profits failed to match optimistic expectations. Willis Faber fell 25 on the news to 700p, while sympathetic falls of 10 and 12 respectively were seen in Stewart Wrightson, 655p, and Sedgwick, 398p. C. E. Heath relinquished 5 to 645p and Hogg Robinson declined 4 at 284p. Composites trended lower for want of support. Sun Alliance closed 5 off at 460p; the company is raising its private car premium rates by an average of 15 per cent from October 1. Among Life issues, Prudential gave up 7 to 670p ahead of tomorrow's half-year figures.

Barclays, unsettled of late by South African uncertainties, rallied 6 to 373p.

With speculative excitement in the drinks sector again concentrated on Distillers, leading Breweries gave modest ground in relatively subdued trading. Allied-Lyons eased a few pence to 277p, after 275p, as rumours of a defensive bid persisted. Australia's Elders IXL hardened 3 more to 178p for this reason, but fresh suggestions of a takeover attempt for Scottish and Newcastle again met a sceptical reaction and the latter closed 8 off at 174p. Regionals mirrored the leaders. Wolverhampton and Dudley were hardest hit, falling 8 to 382p.

Business in the Building sector remained at a low level and the majority of issues continued to drift easier awaiting trading statements later in the week. Costain Group, reporting interim figures today, retreated 8 more to 436p. Breedon & Cloud Hill moved against the overall trend and edged up 3 more to a 1985 high of 238p; the interim results are due on Friday. Elsewhere, Countryside Properties moved up 8 to 270p following speculative support.

The improvement in sterling and an early bout of profit-taking lowered ICI 15 to 682p. Among other Chemicals, Croda fell 8 to 127p in the wake of the interim results and cautious statement but Anchor advanced 7 to 197p following the purchase of the remaining 50 per cent of Pacific Anchor Chemical Corporation from America's Kay Corporation.

Home Charm weaken

Leading Stores gave ground across a broad front as potential investors paid little heed to last month's record retail sales indicator. Losses extended into double figures with recently firm Habitat Mothercare 10 lower at 454p. Woolworth, still unsettled by Monday's unsuccessful share placing, dipped 13 more to 465p; the interim figures are due next Wednesday. British Home, 286p, and Marks and Spencer, 147p, fell 8 and 5 respectively. Home Charm slumped 18 to 334p after revealing mid-term profits below best expectations, while USM-quoted William Bedford, a rising market of late, dipped 13 to 165p, also reflecting disappointing interim figures.

STC returned to favour in Electricals, rising 4 to 94p, after 96p, on rumours that Mr Peter Marshall, finance director of Plessey, is to join the group as chief executive. Plessey, meanwhile, hardened a couple of pence to 142p, after 144p, on hopes it will land a multi-million pound U.S. Government order for its Ptarmigan communications system. Racal, however, dropped to 128p before closing a net 4 down on balance at 132p following reports that James Capel had downgraded its current year profits forecast from £135m to £125m. Speculative favourite Thorn EMI cheapened 15 to 387p. Secondary issues featured Apricot Computers, 15 off at 95p in response to the Lotus sales package. Whitworth firmed 6 to 83p in belated response to news of Suter's near-10 per cent stake in the company; Suter advanced 7 to 150p, after 154p, on the impressive interim results and bullish accompanying statement. Memcom, a depressed market last week on the profits warning, rallied 5 to 90p.

Blackwood Hodge fell 6 to 34p in reaction to the disappointing interim results, while ML Holdings closed 13 lower at 310p on news of the proposed £4m rights issue. Elsewhere in Engineerings, the liquidation of speculative positions in the absence of any takeover developments left TI 8 easier at 382p, while Vesper continued to be overshadowed by the recent poor results and closed a further 12 off at 173p. Delta softened a few pence to 166p ahead of Friday's interim figures and Vickers relinquished 5 at 278p. Against the trend, Molins attracted renewed support at 152p, up 7, while Porter Chadburn reflected call option business with a fresh improvement of 9 to 222p. GKN were fairly active and a penny dearer at 228p.

Argyll featured Food Retailers, rising 25 to 325p following reports that the Takeover Panel would rule against the company launching a bid for Distillers in the next few months. Leading Manufacturers also lost modest ground with RHM 4 off at 151p and Tate and Lyle 5 cheaper at 458p. United Biscuits, due to announce interim results tomorrow, eased a couple of pence to 183p, while Somportex encountered sporadic offerings and dipped 5 to 72p. USM-quoted Mayhew provided a rare firm counter, rising 5 to 126p after increased full-year profits coupled with the encouraging statement on current trading.

Recent high-flying takeover favourites sustained heavy falls in miscellaneous industrials. Reed International, at 712p, and Bowater, at 350p, both of which have been strongly rumoured to be on Hanson Trust's shopping list, fell 20 and 10 respectively; Bowater's interim results are due today. Hanson Trust cheapened 6 to 209p, while Reckitt and Colman, with half-year results also scheduled for today, closed 10 off at 505p. BTR continued to reflect concern that a sizeable rights issue could accompany today's first-half results and the close was a couple of pence easier at 343p. Aggressive profit-taking in the wake of the interim results left Booker McConnell 22 down at 283p, while Christies International, outstanding of late on U.S. takeover hopes, reacted 12 to 260p. Comment on the mid-term figures left Sale Tilney 16 lower at 232p, after 230p, but revived speculative buying lifted TSL Thermal Syndicate 18 to 233p, after 237p. Cash injection hopes lifted Bestwood 20 more to 355p, while favourable trading news prompted a rise of 4 to 72p in Magnolia and a gain of 6 to 87p in Hestair. Erskine House closed unaltered at 113p; the price in yesterday's issue was incorrect.

Leisure issues highlighted Barr and Wallace Arnold Trust, which advanced 22 to 152p with the more widely-traded A shares 13 up at 123p; the interim figures are scheduled for next Tuesday. Tottenham Hotspur, however, eased a couple of pence to 68p following the full-year figures.

Lucas Industries were a particularly volatile market and traded between extremes of 361p and 380p before settling 3 dearer on balance at 373p. Automotive Products fell 6 to 74p in reply to disappointing mid-term profits.

The near-50 per cent expansion in first-half profits failed to inspire Addison Page, finally 10 lower at 230p. Other advertising and P.R. counters also trended lower with losses of 5 common to Lowe Howard-Spink, 270p, and Wight Collins Rutherford Scott, 353p.

In a quiet Property sector, Edmond Holdings continued firmly on speculative support at 11½p, up 2.

Dealings in shipping concern London and Overseas Freighters were suspended at 2p pending an announcement.

Further reports that Saudi Arabia is prepared to sell substantial quantities of crude oil to four U.S. oil majors as well as Japan's Mitsubishi at prices well below current OPEC levels triggered a bout of heavy selling of the leading oils. The leaders were showing double-figure falls at the outset, but a modest rally just after midday took most away from the day's lowest levels. By the close BP were left with a 13 decline at 555p while Britoil settled 11 off at 215p. LASMO dropped 10, Ultramar 8 to 205p and Enterprise and Tricentrol 7 apiece at 186p and 193p respectively. Shell dipped 12 to 708p in front of tomorrow's second quarter results. Secondary issues were also unsettled and showed Charterhouse 6 cheaper at 96p and Clyde 5 easier at 78p. Invent Energy were actively traded and closed ½ harder at £14¾, after £15.

Golds lower

Sentiment in South African sectors of mining markets remained disturbed by the continued civil unrest in the Republic and the imposition on Monday of limited economic sanctions by the U.S. Consequently Gold shares extended their decline and drifted easier during the morning reflecting a general lack of interest. However, an improvement in the bullion price in the early afternoon touched off a small rally in share prices which picked up on bear closing and "cheap" buying although most still ended the day with widespread losses on balance. The Gold Mines index showed a further 8.8 decline at 304.1, while bullion settled a net $1.5 firmer at $322 an ounce.

Leading Golds were highlighted by Vaal Reefs, which dipped £1⅛ more to £52¾ but elsewhere falls were generally restricted to around ⅜, as in Western Deep, £24¼, Southvaal, £23⅞ and Driefontein, £13¼. Western Holdings gave up ½ to £18½ as did President Steyn, £15¼. Kloof lost 18 to 542p, while other cheaper priced issues showed Elandsrand 16 off at 476p and Venterspost a like amount easier at 457p.

Australians were again disappointingly quiet. Little changed in Sydney and Melbourne markets overnight, prices rarely strayed from overnight levels despite the batch of good trading results from Western Mining, Central Norseman and Gold Mines of Kalgoorlie. Western Mining, which posted a 34 per cent rise in preliminary profits as well as a 50 per cent increase in the total dividend, edged up 2 to 199p but Central Norseman lost 10 to 468p, as did Gold Mines of Kalgoorlie to 590p. Poseidon gave up 5 to 216p.

Demand for Traded Options slackened slightly, total contracts done amounting to 7,042. As on Monday, Courtaulds attracted a steady business and recorded 1,016 calls, 851 of which were transacted in the October 160's. Jaguar were also lively in front of tomorrow's interim results with 609 calls and 152 puts.

FINANCIAL TIMES STOCK INDICES

	Sept. 10	Sept. 9	Sept. 6	Sept. 5	Sept. 4	Sept. 3	year ago
Government Secs	82.72	82.89	83.25	83.60	83.60	83.39	80.20
Fixed Interest	88.13	88.25	88.40	88.45	88.44	88.39	83.11
Ordinary ♥	1006.8	1020.5	1020.8	1003.3	1006.4	1007.8	858.0
Gold Mines	304.1	†312.9	314.2	309.5	289.9	291.2	518.7
Ord. Div. Yield	4.69	4.65	4.63	4.69	4.68	4.67	4.85
Earnings, Yld. %(full)	11.62	11.36	11.36	11.56	11.50	11.49	11.59
P/E Ratio (net) (*)	10.75	10.90	10.91	10.72	10.77	10.79	10.37
Total bargains (Est.)	22,430	22,306	22,561	22,956	22,163	23,682	16,375
Equity turnover £m.	—	385.46	464.99	475.30	382.10	392.73	236.49
Equity bargains	—	20,606	20,177	20,002	20,533	22,281	13,358
Shares traded (ml)	—	197.8	225.3	257.9	190.4	194.7	140.4

♥ 10 am 1008.0. 11 am 1010.3. Noon 1011.0. 1 pm 1012.5. 2 pm 1012.5. 3 pm 1009.3. 4 pm 1008.1.

Day's High 1012.6. Day's Low 1006.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.

Latest Index 01-246 8026.

* Nil—10.36.

† Corrected.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	76.09 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.81 (23/8)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	280.1 (28/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Sept. 9	Sept. 6
Daily Gilt Edged Bargains	141.0	126.4
Equities Bargains	133.5	130.7
Equities Value	779.1	939.9
5 day Average Gilt Edged Bargains	127.5	126.4
Equities Bargains	134.2	140.0
Equities Value	849.2	837.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (45)

COM'WEALTH & AFRICAN LOANS (1)
NZ 7¼pc 1988-92
AMERICANS (1)
General Foods
CANADIANS (1)
Intl. Corona Res.
BANKS (1)
Deutsche Bank
BREWERS (1)
Young Brew. N-V
BUILDINGS (3)
Breedon Lime Wks. Lovell (Y. J.)
Countryside Props.
INDUSTRIALS (12)
Assoc. Heat Services Marshall (T.) (Lox.) A
Astbury & Madeley Ozalid 9pc Cnv. Uns. Ln 1987-92
Bestwood Prestwich
Black Arrow Robertson Research
Cannon St. Invs. Scot. Heritable Trust
Fogarty
Magnolia
LEISURE (3)
Barr & W.A.T. A Pleasurama 7pc Cnv. Cum. Red. Pf.
HTV N-V
PROPERTY (2)
Gable House Props. Property Prtnrshps.
TEXTILES (2)
Illingworth Morris Stroud Riley Drum.
TRUSTS (5)
Derby Trust Cap. SPLIT Cap.
M & G Dual Cap. Scottish Amer. Inv.
M & G 2nd Dual Cap.
OILS (1)
Strata Oil
MINES (1)
Pelsart Res.

NEW LOWS (24)

BANKS (1)
Smith St. Aubyn
BUILDINGS (3)
AMEC Tarriff
Phoenix Timber
STORES (1)
Gee (Cecil)
ELECTRICALS (2)
Apricot Computers United Leasing
FOODS (1)
Hunter Saphir
INDUSTRIALS (5)
Eastern Produce Rotaprint 11½pc Cnv. Red. Pf.
Fergebrook Sycamore
Myson
INSURANCE (1)
Bryant (Derek)
PROPERTY (2)
Apex Props. Control Securities
TRUSTS (3)
Fledgeling Jap. W'ts. Pacific Inv. Warrants
North Sea Assets
OVERSEAS TRADERS (1)
Lonrho
PLANTATIONS (1)
Williamson Tea
MINES (3)
Durban Deep. Western Areas
Vlakfontein

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30
Oct 7	Oct 18	Jan 2	Jan 13

For rate indications see end of Share Information Service

Stocks favoured for the call included Distillers, Porter Chadburn, Allied-Lyons, Stroud Riley Drummond, West Coast, Plessey, CASE, Associated Book Publishers, Ultramar, Birmid Qualcast, Barratt Developments, Combined Technologies, Samuelson, Cadbury Schweppes, Bula, Consolidated Gold Fields, STC and Haoma Gold. A put was done in Bestwood, and a double was transacted in Haoma Gold.

RISES AND FALLS YESTERDAY

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Automotive Products	74	−6
Blackwood Hodge	34	−6
Booker McConnell	283	−22
Christies Intl	260	−12
Distillers	388	−17
Home Charm	334	−18

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Distillers	30	405	+13
Laird	16	188	+19
CASE	15	133	+6
Euro Ferries	15	126	+1
ICI	15	697	+8

EUROPEAN OPTIONS EXCHANGE

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*553)	460	100	—	—	1	—	[illegible]
	500	60	75	85	2	6	[illegible]
	550	25	52	62	15	22	[illegible]
	600	4½	16	24	52	55	[illegible]
Cons. Gold (*412)	390	35	47	62	13	20	[illegible]
	420	17	35	45	31	40	[illegible]

September 10 Total Contracts 7,042 Calls 4,370 Puts 2,667
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Terry Byland looks at the electronic revolution on Wall Street

Warmer embrace for data systems

WALL STREET'S uneasy relationship with the explosive growth in electronic data communication appears to be catching fire, after a lengthy courtship conducted largely at arm's length. Leading brokerage houses now have equity stakes in some of the off-market companies offering computer-based investment services, and U.S. investors are accustomed to receiving a wide range of market information by electronic means.

There was good reason for the initial caution towards the electronic revolution. The vision of an all-electronic market, where investors would deal direct by computer to other computers scattered across the world, overlooked significant realities. Securities dealing involves substantial risk to both dealer and investor.

But the stock markets were quick to take the opportunities offered by electronic data transmission. A host of market services firms now offer money managers and private investors a wide array of investment data.

As such, services have become increasingly sophisticated. So has the information offered spread beyond the conventional stock price, yield or price-earnings service. Subscribers can programme their own portfolios and receive advice similar to that offered by a brokerage analyst.

Such new-style advisers have moved out of the technology business and into the securities industry. While not usually members of any of the various U.S. stock exchanges, they are essentially chasing the same clients and the same investment dollars as member firms.

Investment Technologies of New Jersey, for example, aims its Vestor service at both institutional and private investors. For the institutions, it targets the "soft dollar" market, offering the service free to some money managers, provided they direct business through Shearson Lehman.

For the mutual fund or smaller, retail customer, Investment Technologies offers a cheap deal on Vestor to clients of Fidelity Services, one of the discount brokers that undercut the full-service houses.

But the fireworks may come from the way electronic information firms are now moving into the area of electronic trading, for they will eventually challenge the existing stock market system.

Instinet led the field in electronic trading in 1969, but at first restricted itself to providing an electronic block dealing system for the leading institutions. By concentrating on the Nasdaq over-the-counter market, Instinet now has its terminals in nearly all the principal trading firms, and trades more than 5,000 quoted U.S. securities. Daily turnover on Instinet has topped 5m recently. No threat to the NYSE, perhaps, but the principle of electronic stock trading is clearly here to stay.

Two recent developments involving Instinet indicate that the futuristic stock market may be closer than Wall Street – or the European bourses – realise. Reuters, seeking to repeat with international stock markets its success with commodities markets, is marketing the Instinet system outside North America – as well as seeking to buy 21 per cent – later 51 per cent – of Instinet. A number of UK brokers and merchant banks have already signed up with Instinet and have the means to deal directly into U.S. markets.

A further brick has been added to the building of an international stock market by a link between Instinet and Spear Securities, the boldest of the data communications companies. For nearly a year, Spear has been offering what it calls "the telephone-booth stock exchange," an automated dealing system, using virtually any personal computer linked to a telephone, to trade instantly in U.S. quoted stocks.

Spear announced two weeks ago the introduction of a 24-hour market in U.S. stock exchange and over-the-counter stocks. That service, restricted initially to the Standard & Poor's 100 stocks, will be available through Instinet.

Instinet's service is available only in U.S. market hours. The addition of Spear takes the investment community a step closer to the 24-hour, global securities market which is the final prize.

Perhaps not too great a step just yet. The big investment institutions have always been able to deal in big blocks of shares outside market hours. Spear, which claims to undercut conventional U.S. broker-dealer commissions by 70 per cent, is merely offering the small man the same chance.

Moreover, Spear is restricting deals in the S & P stocks to 500 shares, and shutting down the service at weekends, in the best traditions of stock markets. Nevertheless, a very significant genie has been let out of the bottle.

In theory at least, the Atlantic is no longer a barrier to instant trading in a wide range of U.S. stocks, including all the big names in which the international institutions are interested. In the case of the S & P 100 companies, European investors can trade before the U.S. markets open.

When Blériot flew the Channel, a leading British newspaper reported his exploit under the headline: "England no longer an Island." Perhaps the same now applies to Wall Street.

CANADA

TORONTO

Prices at 2.30pm
September 10

MONTREAL

Closing prices September 9

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 35

NEW YORK — DOW JONES

Indices

	Sept 10	Sept 9	Sept 6	Sept 5	High	Low
TORONTO Metals & Minls	2,025.3*	2,059.4	2,049.88	2,043.4	2190.7 (13/2)	1895.0 (4/1)
Composite	2,778.3*	2,788.7	2,791.88	2,788.3	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	135.77*	135.82	135.78	135.75	139.33 (19/7)	117.80 (4/1)

* Indicates pre-close figure

LONDON
Chief price changes
(in pence unless otherwise indicated)

RISES		
Argyll Group	325	+15
Barr & W.A.T.	123	+13
Edmond Hldg	11½	+ 2
Hestair	87	+ 6
Magnolia	72	+ 4
Molins	152	+ 7
Porter Chad	222	+ 9
STC	94	+ 4
Suter	150	+ 7
TSL Thermal	233	+18
Whitworth Elect	83	+ 6
FALLS		
Apricot Comp	95	−15
Automotive Prod.	74	− 6
Blackw. Hodge	34	− 6
Book. McConnell	283	−22
BP	555	−13
Britoil	215	−11
Croda Int	127	− 8
Distillers	388	−17
Enterprise Oil	186	− 7
Hanson Trust	209	− 6
Home Charm	334	−18
ICI	682	−15
ML Holdings	310	−13
Reed Int	712	−20
Sale Tilney	232	−16
Scottish & New	174	− 8
Shell Trans	708	−12
Thorn EMI	387	−15
Woolworth	465	−13

Prices at 3pm, September 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.58	2.4	16	11	24	23¾	23¾	−¼
17⅞	8¾	AGS			12	197	15¾	15⅛	15½	+½
21½	13	AMF	.25j		96	264	13⅝	13⅜	13⅜	
50¾	25¼	AMR			7	4100	44⅝	43¼	43¼	−⅝
14¼	7⅝	APL				8	9½	9⅜	9½	
61⅛	34¾	ASA		25.4		305	37¼	36⅝	37⅛	+⅞
27	12½	AVX	.32	2.5	18	58	13	12⅝	12¾	−⅛
26⅝	18⅛	AZP	2.72	11.	7	890	24⅞	24⅝	24¾	
60	38¾	AbtLab 1.40		2.5	16	942	57¼	56¼	56⅝	−¾
25⅞	20	AccoWd .50		2.2	17	28	22⅝	22½	22½	−¼
24¾	12½	AcmeC .40		2.9		3	14	14	14	
10½	7⅜	AcmeE .32b		4.1	11	8	7⅞	7⅞	7⅞	+¼
19	15½	AdaEx 1.82e		11.		65	17¾	17½	17⅝	−⅛
20	13½	AdmMl .32		1.9	7	8	17¼	17⅛	17⅛	+⅛
17⅞	8⅝	AdvSys .53t		4.2	18	75	12¾	12⅝	12¾	+⅜
40⅝	22⅞	AMD			16	1633	27⅛	26	26⅛	−1
12⅛	6⅞	Advest .12		1.3	20	33	9¼	9	9	−⅛
15⅞	9½	Aerflex			12	15	13⅝	13½	13⅝	+⅛
49⅝	32⅝	AetnLf 2.64		6.0	15	7416	44½	43⅞	44	−⅜
57½	52⅝	AetL pf5.79e		10.		1	55½	55½	55½	+⅛
37⅜	18½	Ahmns 1.20		3.8	8	743	31⅞	31½	31⅝	−⅛
3⅝	2½	Aileen				9	3	3	3	
57	42	AirPrd 1.20		2.3	12	710	52⅝	52⅜	52⅜	−⅛
24⅝	15¼	AirbFrt .60		2.6	13	99	23⅛	23	23	−⅛
2⅛	1⅛	AlMoa s.10e		5.3		30	1⅞	1⅞	1⅞	−⅛
28¼	23⅝	AlaP pf2.74e		9.9		1900	27¾	27¾	27¾	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

AMEX COMPOSITE PRICES

Prices at 3pm, September 10

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 33

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Split views subdue sentiment

ANALYSTS' opinions on the outlook for the U.S. economy and the Federal Reserve policies remained sharply divided on Wall Street yesterday, *writes Terry Byland in New York.*

Both fixed-interest and equity stocks shuffled around their overnight levels in subdued trading.

At the close the Dow Jones industrial average was down 5.82 at 1,333.45.

Investors in the federal bond market continued to favour a bullish view of the economy although they are still awaiting the latest official economic data which is due at the end of the week.

Bond prices were helped by reports that Saudi Arabia plans to undercut Opec oil prices, which would have a favourable effect on inflationary prospects in the U.S. Retail interest, however, was still lacking.

In the stock market, blue chips had another slack session although market turnover was boosted by takeover activity – both actual and potential.

Hints of another cut in world oil prices benefited the airlines. Brokerage analysts also said that the strength of August passenger traffic indicated that the domestic carriers would be able to avoid price-cutting in the autumn.

United gained $¾ to $54⅛, Delta $⅝ to $44⅞ and American $¼ to $44⅛. Pan Am jumped $½ to $8⅛, close to the 52-week high topping the list of active stocks after 1m shares were crossed at $8⅛ by Goldman Sachs.

In takeover issues, heavy turnover in Richardson-Vicks lifted the stock $1¾ to $47⅞, still well short of the offer from Unilever. The activity appeared to reflect the buy-in programme announced by the Richardson board in its rejection of the Unilever terms.

MCA tumbled sharply after reports that bid talks with RCA had been terminated but later rallied to $71⅜, a net $⅝ off. At $45¼, RCA fell $1.

There was little activity in the market leaders. The Detroit car stocks hardly stirred, despite last week's disclosure of sharp gains in late-August car sales.

Technology issues, which led a revival in the market on Monday afternoon, were equally uninspired. IBM shaded $⅛ to $128⅞ and Digital Equipment $⅝ to $107⅛, while Burroughs gained $⅝ to $66⅜ and Honeywell $⅛ to $64⅞.

Control Data eased $¼ to $23⅜ after disclosing plans to sell $200m in debentures and also 4m shares. Among the telephone stocks, Pacific Telesis fell $⅝ to $73⅜ as the board filed plans to sell 5m shares.

Although General Foods, rumoured to be a bid target of Phillip Morris, traded unchanged at $87½, other food stocks caught the takeover fever.

McDonalds, the hamburger franchiser, gained $¾ to $67⅞ in brisk trading. Also active again were Beatrice Group, $¼ easier at $33¾, Quaker Oats, down $⅛ at $52⅝, and Kellogg, up $½ at $61¼.

The cloud over Paradyne, the data equipment maker, was lifted as the group settled a suit with the SEC, resulting from problems over a large federal contract. At $9⅜, Paradyne jumped $1⅛, backed by several brokerage recommendations.

In the credit markets, prices were little affected by the Treasury's virtually traditional request to the Senate for an increase in the federal debt ceiling – this time to $2,078bn.

On the broader question of whether the economy is rebounding sufficiently to force rates higher, the market awaits publication on Friday of indices on producer prices and industrial production.

Treasury bill rates remained steady, with federal funds a shade lower at 7 11/16 per cent. The oil price rumours helped the long end, but gains were very small.

Technology revolution on Wall Street, Page 33

EUROPE

Frankfurt races to fresh peak

FANNED by a surge of foreign buying in Frankfurt which encompassed blue-chip and export-orientated stocks, the Commerzbank index pushed through the 1,500 level for the first time.

Some profit-taking before the close brought prices down from their day's highs, but the index, calculated at mid-session, ended with a 17-point gain to 1,515.5.

Car shares were the focus of much of the activity as a series of press conferences by major producers began ahead of Thursday's international motor show.

Porsche accelerated into the lead, fuelled by the stronger dollar, to register a DM 67.50 rise to DM 1,435. BMW cruised into second place with a DM 7 gain to DM 513 ahead of news from its chairman that, although domestic registrations had fallen 6.5 per cent in the first six months, foreign sales had risen by about 26 per cent.

Engineerings continued to build on gains from the previous session. KHD was the top performer, adding DM 14.70 to DM 310.20, Linde gained DM 11 to DM 574 and GHH rose DM 1.50 to DM 195.

Siemens led blue chips higher, moving DM 12.50 ahead to DM 573. Deutsche Bank, the nation's largest commercial bank, added DM 11.70 to DM 591.50.

Schering led chemical stocks with a DM 18 rise to DM 505, followed by Degussa which gained DM 3 to DM 389.

Bonds recovered from an easier start to end with rises of between 10 and 15 pfennigs. The Bundesbank reversed its tack to sell DM 29.8m worth of domestic bonds after buying a hefty DM 66.9m in the previous session.

Zurich resumed after Monday's local holiday to a bout of buying activity, mostly attributable to recent healthy company news.

Investors sought financials and selected industrial issues. Baer Holding rose SwFr 100 to SwFr 9,725 and Swiss Volksbank SwFr 30 to SwFr 1,925.

In banks, UBS slipped SwFr 45 to SwFr 4,240, and in engineerings, BBC was up SwFr 25 to SwFr 1,795.

Active trading in bonds left prices mixed with some issues losing up to 1½ points.

A dearth of any fresh factors in Amsterdam led to quiet trading, and prices were mostly mixed.

Banks succumbed to selling pressure because of fears that an expected rise in interest rates could pinch Dutch banks' interest rate margins. NMB shed Fl 1.50 to Fl 209.50, and ABN lost Fl 3 to Fl 503 ex-rights.

Bonds ended mixed as some issues rose slightly in a technical correction to Monday's declines.

Brussels continued to stagnate after the activity and gains of last week. Prices ended mixed to lower in quiet trading.

The Brussels Cash index shed 5.36 to 2,430.63, its first fall in more than two weeks.

Holding companies were mixed, with Société Générale de Belgique down BFr 10 at BFr 1,865 and Groupe Bruxelles Lambert BFr 20 off at BFr 1,935 while Sofina rose BFr 200 to BFr 7,700.

Profit-taking in Paris left shares lower across the board. Sentiment was also dampened by fears of a drain on stock market liquidity after Rhône-Poulenc, a state-owned chemical group, announced that it planned to issue FFr 1bn worth of non-voting investment certificates next month.

Retailers were the hardest hit, with banks, engineering and mining stocks closing narrowly mixed.

News of a Conservative coalition victory in Norway sent shares in Oslo sharply higher.

Banks and insurances made strong gains soon after trading opened while industrials also firmed quickly. Norsk Hydro, the energy group, rose NKr 3 to NKr 110.50, and Norsk Data, the computer group, gained NKr 11 to NKr 396.

Stockholm ended mixed to slightly lower, with nervousness and light buying ahead of Sunday's general election.

News that Consafe, the offshore rig charterer, had filed for bankruptcy seemed not to affect the market.

In engineerings, Asea was off SKr 1 at SKr 325 while Alfa Laval dropped by a similar amount to SKr 204. Volvo shed SKr 4 to SKr 241 while telecommunications group Ericsson ended SKr 5 lighter at SKr 247.

A rally in Milan pushed prices sharply higher especially among blue chip industrials and insurances.

Montedison was one of the best performers rising L30 to L2,290.

Utilities led stocks lower in Madrid at the end of a quiet and thin session.

TOKYO

Short-term prospects lift outlook

A STRONG rally developed among blue chips, property and fiscal investment-related stocks aimed at immediate capital gains in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average improved 63.82 to 12,519.54, but volume remained low at 236.28m shares, up from 172.69m shares on Monday. Advances led declines by 415 to 351, with 154 issues unchanged.

Many investors kept a low profile as the market remained clouded by the uncertain outlook for U.S. interest rates, the yen's continued slide against the dollar and the possible resurgence of trade friction with the U.S.

However, some investors began to seek blue-chip electricals and fiscal investment-related stocks for short-term profits.

Electricals and precision instruments climbed on a wide front to lead the market up. Sony jumped Y140 to Y3,730, but its trading volume remained weak at 680,000 shares. Hitachi rose Y18 to Y672 and Canon Y30 to Y950.

Mitsubishi Warehouse improved Y35 to Y775. In sympathy, Mitsui Real Estate gained Y24 to Y934, Nippon Express Y7 to Y528, Mitsubishi Estate Y18 to Y944 and Sumitomo Realty Y27 to Y876. Buying of these stocks was attributed to the widespread view that the issues had hit bottom.

Buying interest later spread to fiscal budget-affected stocks. Sekisui House firmed Y25 to Y899, and Wakachiku Construction Y18 to Y773. Electric works-related stocks were also popular, reflecting higher investment in power generation equipment. Kanto Denki Koji added Y90 to Y2,300.

Mitsubishi Heavy Industries regained popularity with the second busiest trading volume of 7.69m shares, but it closed unchanged at Y387. Nippon Steel and other capital stocks weakened.

Kanebo remained most active with 10.85m shares traded. It lost Y33 to Y384 on the announcement that it would suspend sales of the liver drug Catergen following the deaths in Italy and Portugal of three patients who had been treated with the drug. Sankyo, the drug's distributor, was down Y30 to Y1,060.

Ajinomoto also dropped Y40 to Y1,140 after reports that Aspartame, an artificial sweetener manufactured by Ajinomoto, had caused cerebral damage in tests using mice.

Bonds soared in light buying by financial institutions after having plunged last Saturday because of the lower-than-expected drop in the U.S. unemployment rate for August.

The yield on the barometer 6.8 per cent government bond due in December 1994 plummeted from 6.175 per cent to 6.125 per cent.

AUSTRALIA

ELDERS, which is preparing a formal takover offer for the UK-based Allied Lyons, dominated trading during an active session in Sydney.

The stock added a further 8 cents to A$3.43 on a turnover of 1.2m shares, prompting speculation that Allied may be preparing a counter offer.

Retailers were heavily traded. Myer firmed 3 cents to A$3.70 on a turnover of about 1m shares while Coles rose the same amount to a record of A$4.45 on a large volume.

The All Ordinaries index rose 1.2 to 956.0 while the All Industrials index reached a new peak with a 3.9 advance to 1,401.4.

HONG KONG

THE SIDELINES were again sought by local investors in Hong Kong with foreign institutions able to dictate the course of weaker trading.

After gaining 8 points in early business, the Hang Seng index eased throughout the remainder of the day to close 4.52 lower at 1,546.32.

Property stocks were under most selling pressure as Cheung Kong and New World each slipped 10 cents to HK$17.60 and HK$7.20 respectively.

Banks were mixed with the advances recorded by Bank of East Asia which added 20 cents to HK$22.30 and Hang Seng with a HK$1 rise to HK$44.0.

SINGAPORE

SPECULATIVE issues were again actively traded in Singapore while blue chips continued to languish.

Among the cheaper stocks, Data Consolidated firmed 10 cents to S$1.84 on a turnover of 1.2m shares while Supreme, which was also in strong demand, put on 6 cents to S$1.79.

Banks closed steady to fractionally weaker while plantations were marginally higher. Price movements among major industrials were small.

LONDON

Money data give signal for decline

THE RELEASE of worse than expected mid-August money supply figures gave the signal for a round of selling among leading equities and gilts in London yesterday.

The sentiment was also dampened by a slide in speculative interest among two recent favourites. Distillers fell 17p to 388p as operators unwound their positions while Lucas, bought recently on hopes of a takeover offer, dipped sharply before recovering.

A depressed oil sector, hit by Saudi Arabian proposals to sell oil at below the Opec price, also undermined the tone.

The FT Ordinary share index closed at its lowest level of the day with a 13.7 decline to 1,006.8.

Gilts were unsettled by the M3 figures which reduced lingering hopes of an early reduction in base lending rates. Earlier small losses in the longer maturities were extended to around ⅛ at the official close while falls in the shorts ranged to 3/16.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30-32

CANADA

A MARGINAL decline developed during sluggish trading in Toronto, with gold stocks displaying a revival in momentum.

As bullion prices rebounded, Dome Mines traded C$⅛ higher at C$12¾, Lac Minerals C$⅜ to C$36¾, and Echo Bay C$⅛ C$18½.

Montreal was slightly firmer as utilities gained ground and banks and industrials eased.

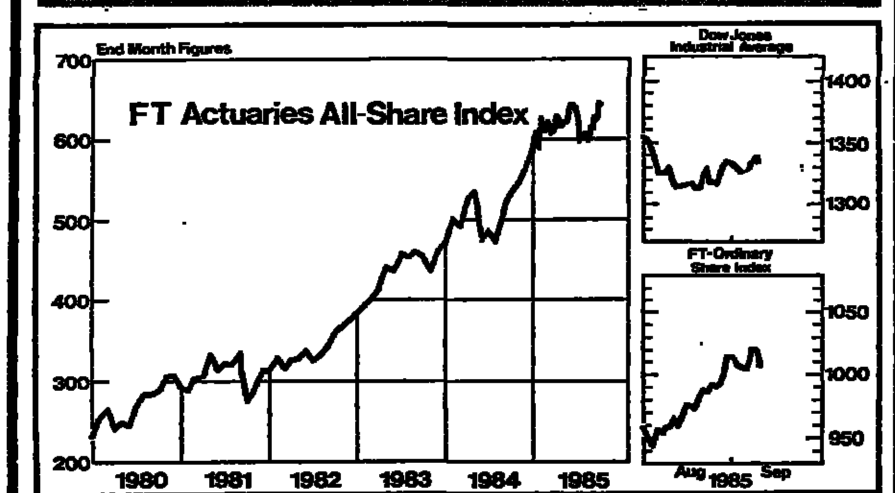
SOUTH AFRICA

DESPITE the firmer tone in the bullion market, gold shares in Johannesburg lacked direction and drifted throughout the session.

Among the few notable moves, President Steyn added R1 to R55 while Driefontein shed 50 cents to R48.75 and Kloof slipped 25 cents to R19.75.

Mining houses and holding companies tended easier on minimal buying interest. Gencor slipped 25 cents to R24.75

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 10	Previous	Year ago
DJ Industrials	1,335.01*	1,339.27	1,202.52
DJ Transport	678.14*	679.42	507.30
DJ Utilities	156.34*	158.75	128.54
S&P Composite	187.29*	188.25	164.26
LONDON			
FT Ord	1,006.8	1,020.5	858.0
FT-SE 100	1,311.4	1,329.3	1,091.6
FT-A All-share	636.85	643.75	520.15
FT-A 500	700.11	708.86	566.43
FT Gold mines	304.1	312.9	515.7
FT-A Long gilt	10.46	10.42	10.60
TOKYO			
Nikkei-Dow	12,519.54	12,455.72	10,471.5
Tokyo SE	1,007.1	1,003.3	804.58
AUSTRALIA			
All Ord.	956.0	954.8	712.5
Metals & Mins.	528.9	529.5	425.9
AUSTRIA			
Credit Aktien	100.44	99.53	53.51
BELGIUM			
Belgian SE	2,430.63	2,435.9	–
CANADA			
Toronto			
Metals & Minls	2,025.3*	2,050.41	1,918.0
Composite	2,778.3*	2,780.72	2,344.0
Montreal			
Portfolio	135.77*	135.82	115.00
DENMARK			
SE	n/a	218.41	176.23
FRANCE			
CAC Gen	226.2	223.2	173.7
Ind. Tendance	125.8	126.4	112.7
WEST GERMANY			
FAZ-Aktien	516.84	511.85	342.11
Commerzbank	1,515.5	1,498.5	994.4
HONG KONG			
Hang Seng	1,546.31	1,550.83	946.06
ITALY			
Banca Comm.	n/a	379.46	212.31
NETHERLANDS			
ANP-CBS Gen	220.8	221.5	164.0
ANP-CBS Ind	193.0	193.7	129.5
NORWAY			
Oslo SE	364.12	352.45	261.45
SINGAPORE			
Straits Times	750.72	750.42	902.87
SOUTH AFRICA	Sept 10	Prev	Yr Ago
JSE Golds	–	1,004.4	902.5
JSE Industrials	–	941.6	820.8
SPAIN			
Madrid SE	109.98	110.34	144.72
SWEDEN			
J & P	1,404.95	1,417.58	1,459.44
SWITZERLAND			
Swiss Bank Ind	492.0	486.2	377.1
WORLD	Sept 9	Prev	Year ago
Capital Int'l	215.5	215.8	181.1

GOLD (per ounce)

	Sept 10	Prev
London	$322.00	$320.50
Zürich	$321.90	$319.85
Paris (fixing)	$321.25	$320.09
Luxembourg	$320.00	$320.65
New York (Oct)	$323.20	$320.80

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Sept 10	Previous	Sept 10	Previous
$	–	–	1.313	1.305
DM	2.94	2.942	3.86	3.84
Yen	242.65	243.5	318.5	317.75
FFr	8.965	8.9725	11.765	11.7
SwFr	2.425	2.4225	3.185	3.1625
Guilder	3.3035	3.3035	4.3375	4.31
Lira	1,954.0	1,958.0	2,565.5	2,555.0
BFr	59.35	59.45	77.9	77.6
C$	1.37165	1.37135	1.8014	1.7897

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 10	Prev
£	11¾	11 13/16
SwFr	4 11/16	4 11/16
DM	4⅝	4 11/16
FFr	10 9/16	10¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅛	8⅛
6-month U.S.$	8⅜	8⅜
U.S. Fed Funds	7⅝*	7 13/16
U.S. 3-month CDs	8.00*	8.00
U.S. 3-month T-bills	7.21*	7.22

U.S BONDS

Treasury		Sept 10* Price	Yield	Prev Price	Yield
8⅞	1987	99 15/32	9.10	99 14/32	9.12
10⅜	1992	100 5/32	10.34	100 5/32	10.34
10½	1995	100 1/32	10.492	100 5/32	10.48
10⅝	2015	99	10.74	99	10.74

Corporate	Sep 10* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	99½	10.50	100⅞	10.15
3⅞ July 1990	81½	8.70	82⅜	8.30
8¾ May 2000	82⅞	11.15	82⅞	11.15
Xerox				
10⅞ Mar 1993	98⅜	10.90	100⅞	10.15
Diamond Shamrock				
10⅜ May 1993	98⅜	10.95	100⅞	10.55
Federated Dept Stores				
10⅜ May 2013	92⅞	11.50	99⅜	11.25
Abbot Lab				
11.80 Feb 2013	101⅞	11.60	102⅞	11.45
Alcoa				
12¼ Dec 2012	99⅜	12.35	101⅛	12.10

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	75–19	75–29	75–17	75–14
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.83	92.87	92.83	92.81
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.00	92.02	92.00	91.99
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.28	91.33	91.26	91.24
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110–23	111–02	110–22	111–03

COMMODITIES

(London)	Sept 10	Prev
Silver (spot fixing)	459.85p	464.55p
Copper (cash)	£1,036.25	£1,047.00
Coffee (Sept)	£1,623.50	£1,656.50
Oil (spot Arabian Light)	$27.20	$27.20